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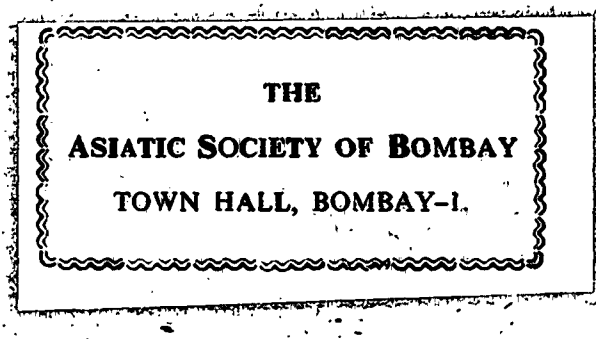

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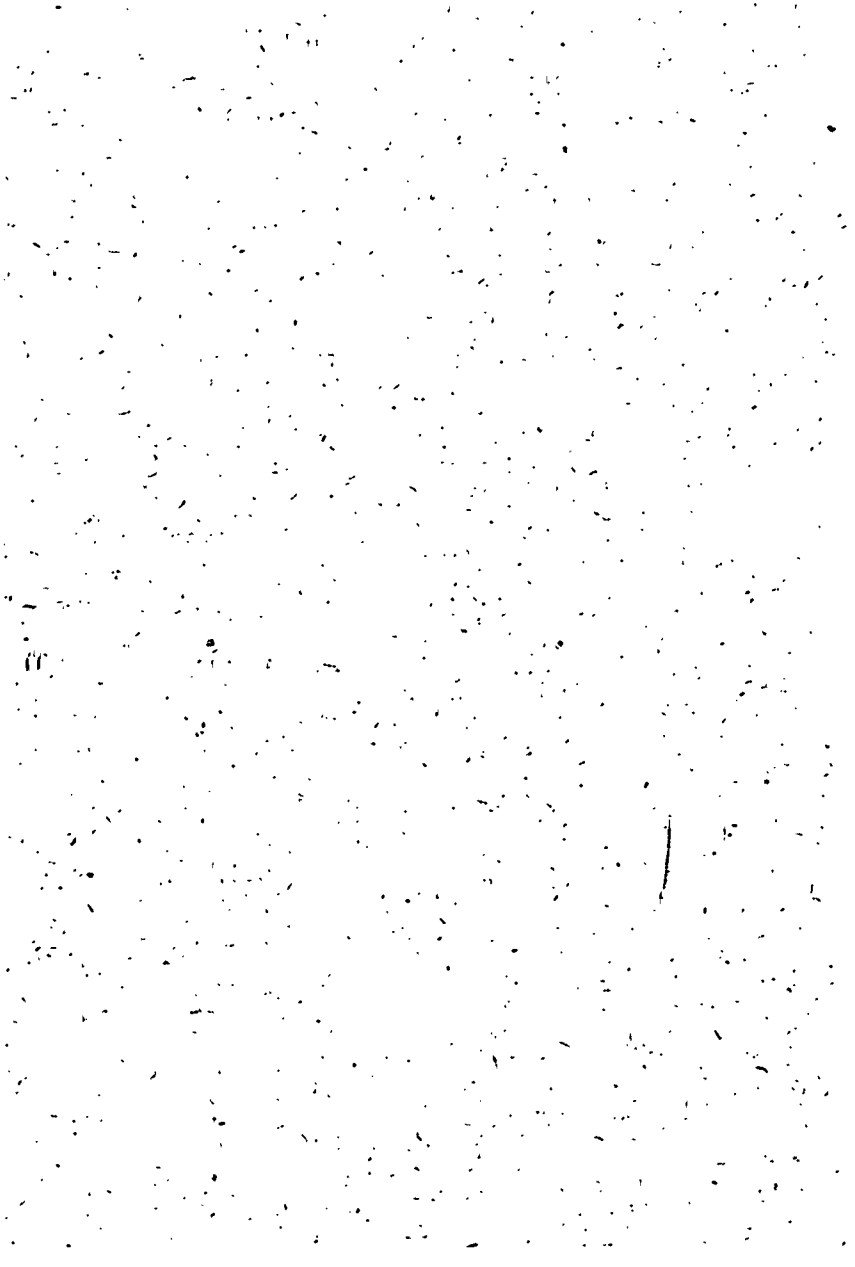

A

HISTORY

OF

PRICES,

AND OF

THE STATE OF THE CIRCULATION,

DURING THE NINE YEARS

1848—1856.

IN TWO VOLUMES;

FORMING THE FIFTH AND SIXTH VOLUMES OF THE HISTORY OF PRICES FROM 1792 TO THE PRESENT TIME.

27792

BY

THOMAS TOOKE, F.R.S.

CORRESPONDING MEMBER OF THE INSTITUTE OF FRANCE:

AND

WILLIAM NEWMARCH.

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PREFACE.

In the preceding Volume of this work the subject treated of ranged itself under Three Divisions: —

(I.) The Prices of Corn and the circumstances connected with them in the relation of cause and effect; — (II.) The Prices of Produce other than Corn; — (III.) The state of the Circulation, under which head was comprised a review of the whole of the Currency question.

And when, by the proffered assistance of my friend Mr. Newmarch, I was induced to undertake a Continuation and Completion of the Work, bringing it down to the most recent period, I contemplated no greater amount of matter than could conveniently be confined to a narrative and discussion ranging under the same three Divisions; and the whole to be comprised within a single volume of moderate size.

But in no long time after our work had been entered upon, and made some progress, it became apparent that the plan so sketched was too circumscribed to admit of doing full justice to several topics which, although not ranging under the three distinct heads I have named, had yet an important

bearing upon the general subject proposed for narration and discussion under the title of this Book.

The topics which I here allude to are: — Railways and the Railway System; — the Origin and Progress of the Free-trade movement; — the State of Finance and Banking in France; — and the New Discoveries of Gold.

The topic of Railways was only incidentally noticed in my Fourth Volume, under the second head, with reference to the prices of the Shares and Stocks in that field of enterprise, and to the degree in which the speculations in that class of securities, and the absorption of Capital in them, had contributed to the commercial distress in 1847. But the system was then only in the course of development. It has since attained a settled form, with gigantic proportions; and constituting, as it does, so large a part in the means of land conveyance throughout the kingdom; and materially affecting Prices in various ways, it appears to me to be entitled to distinct consideration under a separate head, comprising a historical sketch of the rise and progress of the system to its present state, with an account of the fluctuations which the prices of the stocks and shares of the principal lines have undergone.

For reasons analogous to those which have led me to assign a distinct head or division to a historical sketch of the rise and progress of the Railway system, it has appeared to me that a separate Part should be devoted to an account of the origin and progress of Free Trade, and of the inquiries and discussions which have led to the establish-

ment of Free Trade as the foundation and the rule of our present commercial system.

I had occasion, in the Fourth Volume (published early in 1848), to mention, as an event then recent, the great alteration of the whole of our system relating to the trade in Foreign Corn, by the repeal of all the then existing restrictions and duties on the importation, subject only, on and after the 1st February, 1849, to a fixed landing duty of One Shilling the quarter. This Act of 1846, and the various Acts both preceding and subsequent to it, admitting to importation without payment of any duty whatever nearly all the Raw Materials of our manufactures, and reducing the duty upon many articles which were taxed merely for the purpose of revenue, have exercised so important an influence on Prices and on the vast development of the Trade of the Country, both internal and external, as to entitle the System now in force to a distinct account, under a separate head. And some notice has been taken, under the same division, of the state and prospects of the efforts which are being made in Foreign Countries for the amelioration of their several Tariffs.

The changes which have taken place, and the experiments which have been tried during the last Nine Years, in connection with the Financial Policy and the Banking Institutions of France, have exercised an influence so novel and constant on the state of opinion, and the condition of the money market in this country, that it would have been impossible to have discussed the course of events

on this side of the Channel, without frequent references to the parallel course of events in France. Between 1848 and 1850 there was in operation the decree which suspended Cash Payments by the Bank of France; and since 1851 there has been a rapid succession of fundamental changes in the whole of the policy of previous French Governments relative to Institutions of Banking and Credit. In the Sixth Part, therefore, of these Volumes, it has been sought to present, as regards France, such a narrative of events, and such a discussion of the principal questions connected with them, so far as they affect the scope and purposes of this History, as may bring fully under the view of the reader the commercial progress of the two countries since the close of 1847.

When the Fourth Volume was published, the Discovery of Gold in California was an occurrence of which there was not the faintest probability or anticipation. But the production, year by year, of large and increasing quantities of New Gold, not only in California, but since 1851 in Australia, has so entirely changed the aspect of nearly every question relating to the supply of, and the demand for, Commodities,—and relating to the demand for, and the Wages obtainable by, Labourers skilled and unskilled, — that to have attempted any systematic investigation of Prices during the last Nine Years, without assigning a prominent place to an examination of the facts connected with the New Gold,—and without attempting to trace the more important consequence

arising from its Influx,—would have been to misconceive wholly the nature of the task which had been undertaken.

The Seventh Part, therefore, and the Series of Appendices connected with it, have been assigned to this topic.

And among those Appendices will be found one (App. II.) which, in some respects, may be considered as an Eighth leading division of these Volumes. I allude to the "Inquiry," extending from page 345. to page 439. of the Sixth Volume, devoted to the examination of old, and the production of new, evidence tending to throw light upon the nature and order of the Effects on Prices produced by the Influx of Gold and Silver from the New World in the Sixteenth and Seventeenth Centuries. It has been the purpose of that Inquiry to ascertain, as accurately as possible, what was the precise character and progression of the disturbing influences produced by the early Influx of the Precious Metals from America, as the best and safest guide we can follow in our endeavours to understand the phenomena actually occurring at this time.

The Contents, therefore, of the Present Publication are divided into Seven Parts; viz.—

(I.) A Narrative of the Seasons and of the State of the Corn Trade, 1847–56.

(II.) On the General Course of Trade and Prices in the Markets for Manufactures and for Commodities other than Corn.

(III.) On the Progress and Effects of the

Railway Expenditure, and of the Railway System as now developed.

(IV.) On the Progressive Application, from 1820 to the present time, of the Principles of Free Trade to the Commercial Legislation of this and other Countries.

(V.) On the Management and Policy of the Bank of England during the period 1844–56.

(VI.) On the Policy pursued in France since 1847 relative to Finance and to Banking and Credit Institutions.

And (VII.) On the Order, Extent, and Character of the Changes which have been produced by the New Supplies of Gold from California and Australia.

And to these Seven principal Divisions may, as I have said, be added the Inquiry, constituting Appendix II., relative to the Influx of the Precious Metals in the Sixteenth and Seventeenth Centuries.

These special divisions, with the series of Appendices, in which it has been part of a settled plan to arrange the discussion of questions and details subsidiary to the general argument, constitute the Continuation, to the close of 1856, of the treatise which in the Fourth Volume terminated with 1847; and also constitute the Completion of the Work which, under the Title of the *History of Prices*, now includes, for a period of Sixty-four Years—from the close of 1792 to the close of 1856,—a narrative of the principal events, and a discussion of some of

the principal questions connected with the commercial and economical condition of this country.

Of the Seven Divisions which have been enumerated, the Five Divisions — (II.) General Markets; (III.) Railways; (IV.) Free Trade; (VI.) France; and (VII.) New Gold; and the Inquiry, in App. II., on the Early Influx of the Precious Metals from America — have been written by Mr. Newmarch; and he has contributed all the Appendices, except the seven specified in note below*; and also all the statistics and tabular statements throughout the Volumes.

It has been at my suggestion and request that the Initial letter N. has been affixed to those portions of the book of which Mr. Newmarch is the Author; but those portions, in common with the rest, have undergone my supervision and correction as they have passed through the Press; and the opinions expressed, and the tenour of the information conveyed, have my entire concurrence.

I am fully sensible that, in some respects, I may appear to be fairly open to the imputation of temerity and unseemly presumption, in having ventured, when already turned of fourscore, to look forward to the continuance of such a measure of prolonged life and health, and still more of mental faculties not materially impaired, as should be equal to the preparation and revision of so large a Work as is

* The Seven Appendices which have been prepared by myself, are App. I. Merchants' Petition of 1820; (III.) Seasons; (VI.) Summary of Seasons, 1792 — 1856; (XII.) Committees of 1848; (XIII.) Bank Notes; (XIV.) Evidence in 1848; (XV.) Conclusions stated in 1844.

now presented in these Two Volumes. I may say, however, that when, in the summer of 1854, I first began, with Mr. Newmarch, to make serious preparations for the completion of the *History of Prices*, neither of us contemplated that the course of events would assume such a character, as not merely to induce, but in a measure to compel, us to enlarge our original design.

To have hurried the Work to a speedy conclusion in 1855, would have laid us under the necessity of closing the narrative and the discussion in the very midst of the events which were gradually working out an answer to some of the most important and interesting questions.

We have *now* before us the lessons afforded by the Russian War of 1854–5, and by the first year of the sudden Peace which put an end to the Hostilities. We have seen the consequences produced in Australia and California, in the United States, and in this country, by the great reaction arising out of the commercial crisis which has swept over the Gold Countries. We have seen, also, the effects on our own Money Market of a high rate of interest continued for a long period, but moderated in its operation by the constant influx of the Precious Metals. And in France the events of the years 1855 and 1856 have been in an eminent degree calculated to throw light on a new and important class of questions.

I have every reason, therefore, to congratulate myself, that, aided by the zeal and industry of my Coadjutor, we have been able to bring down this

History to a period which confers upon it many of the advantages of an obvious completeness and unity; inasmuch as commencing from the last year (1792) of the Peace obtained by the concession of Independence to America, the narrative is now continued without interruption through the Sixty-four years which have included the great contest with Revolutionary and Imperial France, — the Forty years of Peace which followed the fall of Buonaparte, — the Two years of War provoked by the aggressions of Russia, — and the First year of the re-establishment of Pacific Relations throughout Europe.

I have explained in the introduction to Appendix VII. the causes which have prevented my friend Mr. Danson extending to these Volumes the able and efficient co-operation of which I had the advantage in preparing the Volume which immediately preceded them.

For the elaborate Index to the whole Work, which is now included in the List of Contents, I am indebted to the skill and experience of Mr. Wheatley, the Librarian of the Royal Medical Institution, in Berners Street.

T. T.

London, February, 1857.

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PART I.

ON THE PRICES OF CORN

FROM 1848 TO 1854.

SECTION 1.

Introduction.

WHEN by the repeal of the Corn Laws the ports of this country became open at all times to the entry of Foreign Grain for Home Consumption, it might have been expected that the same interest would no longer attach to the character of the Seasons in their influence on the harvests in this country, as was felt when we were dependent in a greater degree on the home growth. Under the system as it has since existed, of unrestricted importation, there are no longer the same grounds for excitement in the Corn Trade, nor the same motives for speculation on the occurrence of weather, supposed to be injurious to the crops, as there were when a small difference in the price caused an enormous difference in the duty; and, what was of still more importance, made the difference between entry for home consumption at a duty of a shilling the quarter, and total exclusion for an indefinite length of time.

But although there is no longer the same inducement to speculation on the weather as formerly, nor to consequent excitement in the Corn Trade, there remain abundant grounds for continued interest in the greater or less productiveness of the

harvests in this country; and, consequently, in the state of the weather and the character of the season as affecting that production. The farmers, although having no longer any protection against foreign competition, are still interested in obtaining the largest crop which their land can yield, and to them the vicissitudes of the weather and the character of the season have been, and always must be, matter of solicitude and anxiety.

But it was not till the occurrence of the greatly deficient harvests of 1838 and 1839, when the sudden necessity of payment for importations of foreign corn on a scale of unusual magnitude, caused so large an export of gold as imperilled the position of the Bank, that public attention became fully alive to the consideration of the influence which the weather and the character of the season at certain periods were calculated to exercise on the money market, and on the general prosperity of the country. The events of 1847 strengthened the impression to this effect. And from that time to the present there has been no abatement of the interest attached to the subject. On the contrary, at no time within my recollection, has there been so much anxiety felt and expressed respecting the weather and its supposed influence on the produce of the crops, as during the period from the sowing time in the latter months of 1853 to the securing of the harvest in 1855.

It may be objected to this view of the importance attaching in the public mind to variations in the weather and other incidents affecting the supply of food, that it is only as regards the future influence on prices that such intensity of interest is excited, and that the same degree of importance cannot be supposed to attach to the consideration of the causes which have influenced the phenomena of the past. This is true. But contingencies which are of absorbing interest, while in suspense or in

the category of probabilities, can hardly fail, when converted into accomplished facts or certainties, to claim a prominent place in a history like this, the object of which is to record and elucidate the causes of variations in the prices of the leading articles of consumption, and especially of those which constitute the food of the community.

In the description of the Seasons which I gave in the former volumes of this work, no pretension was made to accuracy of meteorological observations. A general view only was given of the prevalence of wet or dry, hot or cold, genial or inclement weather, at the particular periods of the year when it might be considered to exercise an influence adverse or propitious to the productiveness of the coming harvest. I now propose to pursue the same course as regards each of the eight years 1848 to 1855; and to introduce such other statements relative to the supply and demand as may account for the variations in the market value, taking the price of wheat to be on the whole a fair exponent of the general value of corn.

The immediate purpose of this division of the present volume has been to give a description of the Seasons, and of the state of the Corn Trade as connected with them, in these last Eight Years; but from a consideration of the importance which attaches in various points of view to the general subject of the Prices of Corn, I have been led to embrace a wider range of historical facts, and of discussion of principle, than would seem to be prescribed or allowed by a limitation to the period indicated by the title of this volume. As in the first volume of this work, although the historical sketch of the prices of corn, and of the influences operating upon them, related professedly to those which dated forward from the close of 1792, I found it requisite, for the better elucidation of the nature and force of those influ-

ences, to refer to the prices of corn, and to the circumstances connected with them in periods long antecedent, not only in this country, but in France: so in the present instance of the Concluding Volume of the entire work, I have thought that it would be conducive to a clearer appreciation of the whole of this important branch of the subject, to collect and lay before the reader a variety of statements relating to many years back; of facts, some in the body of this division, and others in the Appendix, giving an account of the prices of corn, and of attendant circumstances, as well in France as in this country. One of the tabular statements comprises quotations of prices in both countries for a series of years, as far back as the 15th century, in juxta-position; the prices in one country being calculated to throw light on those of the other; while together they may serve to aid in forming or rectifying conclusions on two very interesting questions: one, that of alterations in the value of the precious metals as measured by the prices of corn; the other that of offering grounds for inference as to the prevalence of seasons of a character adverse or propitious to the growth of corn in one series of years compared with another series, immediately preceding or succeeding, of equal length.

Other miscellaneous topics will be incidentally discussed in the following pages; such, for instance, as the difference between the consumption and supply of wheat; and the supposed influence of the publication by Government of Agricultural Statistics, in averting or lessening fluctuations in the prices of corn.

SECTION 2.

Character of the Season 1847–48. — *Prices and estimated Produce of Wheat.*

The weather during the last quarter of 1847 was of a rather higher temperature than usual, and there was an ordinary proportion of dry and wet, so as to admit of farming operations to any extent and without interruption.

In January (1848) the temperature was, for the most part, mild, and the atmosphere humid, till the middle of the month. Afterwards, a few days only of occasional, but slight, frost, and one day, the 28th, when the frost was severe. On the 23rd light snow falling, but not enough to cover the ground in the neighbourhood of London. Accounts from the country, however, stated that a good deal of snow had fallen.

The temperature in February was higher than usual. Very few nights of slight frost. Winds mostly from the west and a great preponderance of wet.

In March a great deal more rain fell than is usual at this season. No snow in the neighbourhood of London, but heavy falls of it in other parts; not, however, to lie. Hardly any frost and no dust. Heavy gales of wind, mostly from the west.

The weather during April was a continuance of the character of wetness of the two preceding months. The first five days of the month, however, were fine and warm. From that time cold and variable. On the 10th (great Chartist meeting) heavy rain fell, and there was a preponderance of wet during the remainder of the month. There were several days when the wind blew from the east, but not many days in succession. A few nights of slight frost towards the latter part of the month.

The heavy rains in April following the wet weather of February and March caused the land to be in a soddened state, and rivers generally to be much swollen. Thunder-storms in many places did much damage. The months of February, March, and April were so wet, that the spring corn was sown with much difficulty, and apprehensions were entertained for the growing crops of wheat.

The month of May was ushered in by a bright, cold day, wind N.E. The wind continued for the most part from the east, with fair bright weather, and a rising temperature, till the 16th. On the 4th in the middle of the day the thermometer stood at 65°; on the 6th, at 70°; 7th to 10th, 72°; 11th, 74°; 12th to the 15th, 75°; and on the 18th, 78°. During the remainder of the month the temperature was much lower; on the 18th, full 15° lower than on the 16th. Wind S.W. and slight rain; thenceforward to the end of the month variable and cold.

The weather throughout the month of June was variable, but upon the whole seasonable. A good deal of rain fell, although not continuously. On the 13th there were some showers of extraordinary violence. Winds mostly from the western quarter. Temperature moderate, in the early and latter part of the month cool. A few warm, but not hot, days in the middle of the month.

The first four days of July were unsettled and cool; 5th and 6th fine with summer heat. The thermometer on the 6th, 80°. The 7th, 8th, and 9th, showery and cool; 10th to 14th inclusive, fine summer weather; broke up with a thunder-storm on the night of the 14th; the 15th a fair, but cold, day. Wind N.E. The remainder of the month variable, with a large proportion of wet and showery days. Winds mostly from the western quarters.

The weather during the whole of the month of

August unsettled and mostly wet. Hardly two consecutive days without rain, and frequently very heavy. The crops of corn both cut and uncut suffering greatly. Wind chiefly from the west.

The first week of September fair and cool, with the exception of one hot day; the 5th, the 8th, and 9th, showery, and windy, and cold; 10th to 19th inclusive, fair, but windy and cold, with very little sun. Heavy rain on the 20th and 24th. The remainder of the month wet, with the exception of the 30th, which was fair and rather fine. The wind on several days from the east.

Of the character of the weather in connection with the process of harvesting the corn crops, the following extracts from the Farmer's Magazine, convey a fair description, corresponding as it does in the main with my own observations.

July.—"Early in the month a good deal of rain fell; and apprehensions were beginning to be entertained that we should have a wet summer; the subsequent sunshine tended to dissipate these fears; and though we have since had a return of rain, should the period which must yet intervene before the crops can be gathered, be auspicious, the harvest will probably turn out better than, from the unpropitious character of the spring, the most sanguine could have anticipated."

August.—"Since our last report we have had an almost daily succession of wet weather, which, as might be anticipated, has had a most prejudicial effect, not only upon the wheats, cut as well as uncut, but likewise upon spring corn in general. In very many instances, wheat has lain in the fields nearly a whole month without an opportunity of carting it. From the 1st until quite the 22nd of the month very little wheat was carried, although at least two-thirds of it had been cut. We have known instances in which the wheat has become sprouted, prior to being cut."

September.—"A complete change of weather took place, and, with the exception of a heavy thunder-storm on the 2nd inst., and a few partial showers more recently, we have had fine weather throughout the month.

"On the whole the harvest has been finished much better than the most sanguine could have anticipated, considering the position of things at the close of last month."

The result of the harvest of 1848 was, as might

be supposed, from the description here given of the character of the season, very unsatisfactory. According to the most accredited estimates, the wheat crop was more deficient than any since the harvest of 1841, and inferior in quality to any since 1839.

The Corn Law of 1846, which had been wholly suspended (on the 27th January, 1847) during the scarcity and high prices, came into operation again on the 1st March, 1848; and the aggregate average price of wheat being between 50*s.* and 51*s.*, the duty which attached by the sliding scale was 7*s.* the quarter.

All the wheat and wheat-meal, and, indeed, all other corn and meal which had arrived before the 1st March, and consequently before any duty attached, was entered for home consumption, as was also the greater part of the quantity which arrived after March, 1848, but which had been held in bond till, by the rise of the aggregate average, the duty by the scale was reduced to 4*s.*

The whole quantity Entered for consumption in the Harvest Year (5th Aug. 1847—5th Aug. 1848) of wheat and wheat-meal, amounted to 3,183,887 quarters; and the Sales in the inspected markets (from the 5th Sept. 1847, to the 5th Sept. 1848) amounted to 5,264,644 quarters.*

The total of Imports of wheat and wheat-flour from abroad in the Calendar year Jan.–Dec. 1848, was 3,082,230 quarters; and the total Entries for home consumption were 2,193,755 quarters; and the Sales of wheat in the inspected markets were 5,399,833 quarters.

Under the influence of the large foreign supply, the markets gave way, and prices of wheat declined

* For the reasons which render it desirable to adopt, as regards Imports of foreign corn, the period from 5th Aug. to 5th Aug.; and as regards the Sales of home-grown corn in the inspected markets the period 5th Sept. to 5th Sept.; I beg to refer to the note at page 5. of the last volume of this work. (vol. iv.)

from 53*s.* 11*d.*, the weekly average on the 1st January, 1848, to 46*s.* 10*d.* on the 17th of the following June.

The wet and unsettled weather which prevailed during the progress of the harvest caused an upward tendency of the markets. On the 9th September the weekly average reached 56*s.* 10*d.* But this advance was not maintained. Thenceforward, in consequence of the very large supplies from abroad, prices, notwithstanding an acknowledged deficiency of the home growth, declined, although slowly, and with only slight oscillations, during the rest of the year, the weekly average on the 30th December being 46*s.* 10*d.*

And here it may be convenient to point out that 1848 is virtually the last year in which it is necessary to distinguish between the quantities of foreign grain *Imported*, and the quantities *Entered* for home consumption. The Act of 1846 (9 & 10 Vict., cap. 22.—26 June, 1846), which virtually swept away the old Corn Laws, provided that, until the 1st February, 1849, a sliding scale*, of a very moderate character compared with its predecessors, should be in force, and that on and after the 1st February, 1849, the only duty on the importation of grain of any kind, "from parts beyond the seas," should be fixed at a landing (not a bonding) duty of 1*s.* per quarter; and on meal of any kind at 4½*d.* per cwt. Under this law, importation corresponds with entry for home consumption. It may be doubted, however, whether it is wise to enforce the shilling duty as a landing duty; for when the prices of grain are low, even such a tax amounts to an *ad valorem* duty of some magnitude, and prevents this country from becoming, so completely as is desirable, the principal grain entrepôt of Europe.

* The duty was made 10*s.* when the price was under 48*s.* and became 4*s.* when the price reached 53*s.*

SECTION 3.

Character of the Season 1848–49. — *Prices and estimated Produce of Wheat.*

The harvest season of 1848–49 was, in most points of view, a favourable contrast to that of which a description has just been given.

In October and November (1848) there was a good deal of rain. December was, upon the whole, mild: some very fine days; little of either frost or snow. Although there were some complaints of the lands being in too wet a state, there was no serious interruption to farming operations throughout the quarter.

In January (1849) there was no severity of cold. A few days of frost only in the first week of the month. Of snow, only a few flakes on the 5th. The winds chiefly from the west.

February was mild. In a few instances slight frost, and several days of rain, but not continuous: hardly any snow.

In March there was a large proportion of fair and moderately fine and dry weather. Winds mostly from the west till the 19th, when it changed and varied between N.E. and S.E. to the end of the month.

In April, the only feature worth notice, was the prevalence of cold easterly winds from the 9th to the 21st: the 19th very inclement, a great deal of snow having fallen, accompanied by a driving east wind. The remainder of the month variable. The whole of the last three months favourable to spring sowing.

Of May, the first five days were fair and warm. From the 6th to the 12th, the wind easterly and cold; some of the days severely so. Thence to the end of the month the wind mostly from the west

and the weather variable; the last few days fine and warm.

"The accounts (during the month of May) from nearly all quarters, relative to the growing wheats, were very satisfactory, almost without exception."—(*Farm. Mag.*)

Of June, the first five days were also fair and warm. On the 6th, rain fell, and was followed by an east wind and a much lower temperature; some of the days, to the 18th inclusive, became severely cold.

July was fair, and for the most part fine, from the 1st to the 17th. Some hot days: the hottest on the 8th. From the 18th to the close of the month, unsettled: temperature much lower; several of the days showery and some heavy rain, but not continuous; high winds, chiefly from the west. On the 26th there was in London, between 1 and 2 P.M., a tremendous storm of thunder and lightning, hail and rain: the rain so heavy as to flood parts of the town. The lightning remarkably vivid, and caused some deaths. Hay crop abundant.

The weather, during the entire month of August, with the exception of two or three passing showers and thunder-storms, was fair and fine; temperature moderate, with some dull days. Altogether, very favourable for the gathering of the crops. The wheats well spoken of.

On the 1st September there was a good deal of rain in the morning, and again at night, with thunder and lightning. The 2nd to the 5th inclusive, fair and warm; 6th to the 9th, wind N.E., cold and dry; very favourable for the harvest in the northern division of the island; and the crops, consequently, with the exception of a few of the most backward districts, secured in the best possible condition. But even during the remainder of the month, although the weather was variable, with occasional high winds and some heavy falls of rain,

the wet was not continuous; thus, even in the latest districts, there was no material injury to the crops from the state of the weather.

From the account here given of the character of the season from the 1st of October, 1848, to the close of September, 1849, it appears to have been favourable, upon the whole, for the growth and gathering of the corn crops. As might, therefore, be expected, the produce was estimated to be above that of an ordinary crop, and more abundant than even the harvests of 1842 and 1844 — harvests which were even more productive than any since that of 1834.

The whole quantity of wheat and wheat-flour Entered for consumption in the United Kingdom in the Harvest year from 5th Aug. 1848 — 5th Aug. 1849, was 5,295,014 quarters. And the Sales in the inspected markets, from 5th Sept. 1848—5th Sept. 1849, amounted to 4,441,964 quarters.

In the Calendar year (Jan.–Dec.) 1849, the total Imports were 4,835,280 quarters; and, in consequence of clearances out of bond on the new shilling duty coming into force on 1st February, 1849, the Entries for home consumption were 5,634,344 quarters. The total Sales of wheat in the inspected markets in the Calendar year 1849 were 4,453,982 quarters.

In consequence of the magnitude of the foreign supplies, the corn markets, in the closing months of 1848, experienced, as has already been stated, a progressive decline to 46*s.* 10*d.* at the end of December, notwithstanding the deficiency of the harvest of that year. Early in January, 1849, the price of wheat had declined to 45*s.* 4*d.*; and although, on the 1st February following, all corn ceased to be subject to any but the fixed landing duty of One Shilling the quarter, and the whole of the wheat then in bond, about

800,000 quarters, became free for consumption, no depressing effect on the market was produced. On the 3rd February, the weekly price was 45*s.* 1*d.*, rallied to 47*s.* on the 17th February, and, in the interval between that date and July, fluctuated between 46*s.* 9*d.* and 44*s.* 2*d.*

As the harvest approached, the accounts were general of the smallness of the remaining stock of wheat, both home-grown and foreign, in the kingdom. Under the influence of this impression, and of occasional threatening appearances of the weather, there was a speculative advance to 49*s.* 1*d.* on the 28th July. Thenceforward, as the harvest proceeded without interruption from the weather, and the reports of the crops, as they were gathered, became more favourable, while the supplies from abroad were of unprecedented magnitude, the markets throughout the kingdom experienced a nearly uninterrupted decline to 42*s.* 4*d.* on the 29th September, and to 38*s.* 9*d.* on the 15th December, 1849.

SECTION 4.

Character of the Season 1849–50. — *Prices and estimated Produce of Wheat.*

The weather in October and November, 1849, was very favourable for the sowing of winter corn. The entire month of November was remarkably dry, and occasionally frosty till the 30th, when, and in the first fortnight of December, a great deal of rain fell. In the latter half of December there was occasional frost, but not severe, except on one day, the 29th, when the thermometer was down to 19° in the neighbourhood of London. During the whole of January, 1850, the temperature was mostly low, but moderately so. Frosts in the

nights, but not severe. The coldest day was on the 15th. Very little rain throughout the month till the 26th, when a good deal fell; as it did also on the two next days; followed on the 29th by a remarkably high tide, which overflowed the banks of the Thames. There were occasional, but slight, falls of snow, but none to lie in London or its neighbourhood. In other parts of the country there was more snow, which, however, remained only a few days on the ground. A large proportion of easterly winds.

February commenced with a relatively high temperature, which continued till the last five days of the month. These were sensibly colder. Rain on several days, but not continuous. Winds variable. In the early morning of the 6th there was a furious gale of wind from S.W. to N.W.

March was much colder than February. In the night of the 15th the frost was very severe; and during the rest of the month there was more or less of frost every night. Winds chiefly from the east. Hardly any rain. Several falls of snow, but not sufficient to cover the ground.

April was not marked by any continuance of wet or dry weather. Temperature moderate and seasonable. Winds mostly from the west till the 23rd, when they blew from the east to the end of the month. The whole of the season for spring sowing had been favourable.

Of May the first ten days were cold, with a continuance of the east winds, which had commenced on the 23rd of last month. The 11th and 12th moderately warm, the wind having got away from the east; but it changed again to the N.E. on the 13th, with a low temperature, till the 21st. The last ten days much warmer.

In June nothing remarkable in the weather till the middle of the month, when, on the nights of the 15th, 16th, and 17th, there were sharp frosts,

and cold till the 19th, which was a warm day, and was followed by a week of very hot weather for the season; the thermometer ranging from 75° to 80°. On the 27th, a storm of thunder and lightning, hail and rain, followed by a great fall in the temperature, and a strong N.E. wind.

From the 1st to the 10th of July was unsettled. There was rain, and mostly heavy, on several days; the wind generally from the west, and a good deal of it. Temperature mostly low for the season, and a large proportion of dull weather. 11th to 17th, inclusive, much warmer, thermometer ranging from 75° to 82°; fine and dry in London and its neighbourhood, but there were violent storms in different parts of the country — at Bristol on the 15th, and at Brighton on the 17th. At the latter place the floods in the streets were beyond all precedent. These storms, and that of the 27th of June, had the effect of laying the crops of corn very extensively. The remainder of the month variable. Winds chiefly from the west. Temperature low. Only one warm day, the 22nd, when the thermometer reached 78°. Harvest backward.

In August the weather to the 17th was variable, with mostly a low temperature, and frequent rain, but not continuous and rarely heavy. On the 17th, a heavy gale at S.S.W., which increased in the night and following day to something like a hurricane, doing much mischief to the crops of corn. The severity of this gale was felt chiefly in the northern and eastern parts of the island. During the remainder of the month the temperature constantly low; not a day of summer heat. A good deal of wind, chiefly from the west. Rains frequent, but not continuous.

September was, till the 20th, with hardly any interruption, dry and cold, with easterly winds; the remainder of the month, winds mostly from

the west, with a good deal of rain and a much higher temperature. The dry weather in the first three weeks of this month admitted of securing the later crops in the best possible condition.

The produce of the wheat was variously reported, but, according to the most accredited estimates, it was considered to be decidedly inferior in quantity and quality to that of the preceding year, and the yield per acre was computed to be not only below that of 1849, but below that of an ordinary crop. This deficiency in quantity is fully accounted for by the description of the weather in the extracts from the Farmer's Magazine given in a subsequent part of this section.

And in addition to the circumstances stated in these extracts was the occurrence of gales of extraordinary violence on the 17th, 18th, and 19th of August, which twisted and caused a shedding of the uncut corn, and threw down a large portion of what had been cut, but was still standing in sheaves and shocks. Moreover, the condition had been injured in consequence of the large quantity which had been laid by the storms and heavy rains in the latter part of June and the middle of July. The violence of the gales in the middle of August was most felt on the northern and eastern coast.

The quantity of wheat and wheat-meal Imported and Entered during the Harvest Year, 5th Aug. 1849—5th Aug. 1850, was 4,258,805 quarters; and the Sales in the inspected markets, from 5th Sept. 1849—5th Sept. 1850, were 4,839,527 quarters.

In the Calendar year (Jan.–Dec.) 1850, the Entry of wheat and wheat-flour was 4,845,654 quarters; and the quantity of home-grown wheat sold in the inspected markets was 4,688,246 quarters.

The fluctuation of prices throughout the year 1850 was remarkably small. The weekly average for 5th January was 40*s*. After an intermediate

slight fall on 4th May to 36*s.* 11*d.*,* the weekly average on the 10th August had risen in consequence of unfavourable accounts of the harvest to 44*s.* 1*d.*, but at the close of the year declined to 38*s.* 3*d.*; the utmost range of variation having been between 36*s.* 10*d.* in April, and 44*s.* 1*d.* in August. The surplus of the large crop of 1849, with the large importations from abroad, constantly counteracted the tendency which was now and then manifested towards an advance of prices in consequence of the unfavourable reports, which proved to be but too well founded, of the deficiency of the crop of 1850.

The following are the passages from the monthly reports of the Farmer's Magazine for 1850, just referred to.

July, 1850.—"Wheat did not come into bloom this year till towards the close of June, even in the southern parts of the kingdom, and a large proportion of the crop was still in full blossom when the high winds commenced, and it is to be feared that the shaking and rubbing thereby occasioned may in some instances have prevented the proper setting of the bloom, and in all such cases there will be a deficiency in the number of corns or berries in the ear. Another cause of apprehension is the extensive manner in which the crops have been beaten down by the wind and rain all along the south coast, and in most of the southern and western counties."

August.—"With August fast drawing to a close, nearly half of the corn crops of Great Britain are still in the fields, and the harvest is later than it has been for years past. Cutting scarcely commenced until the end of the first week in August, and harvest work has since experienced repeated interruptions, owing to frequent heavy showers. Till about the middle of June, the promise was very good—the plant was thick on the ground, and its general aspect denoted health and vigour; indeed all went on well, until the middle of the month,

* As will be seen presently, the lowest weekly average during the period of reduced prices was 35*s.* 6*d.* for the week ended 11th Oct. 1851; but the price of 36*s.* 11*d.*, mentioned above, as occurring in May, 1850, was the lowest price which had then occurred since Jan. 1836, when for two weeks the average was 36*s.*

in some of the nights of which so severe a frost was experienced in most parts of the kingdom as seriously to check vegetation, and, though this was not much thought of at the time, it has since been proved that material injury was done thereby to all the early kinds of wheat then in ear. To this visitation we are inclined to attribute the prevalence of blight in the white wheat, and the consequent deficiency in many of the ears. The next unfavourable occurrence was the high wind and heavy rain with which most parts of the kingdom were visited, at the period when the wheat was in bloom; and subsequently, when the head began to become weighty, so large a proportion was beaten down and lodged, that all along the south coast the fields appeared as if a roller had passed over them. In the most favoured districts, the produce of wheat will certainly not exceed an average, and in many parts of the country the deficiency will be serious, particularly on the fen-lands of Lincolnshire, Cambridgeshire, &c."

September. — "Scarcely a drop of rain fell from the commencement until the 21st of September. The greater part of the grain secured during this month has been carted in excellent condition, but this could not remedy the defects and injury consequent on a cold, wet summer, and the general yield and quality of this year's crops disappoint the growers. On some farms, and even in some whole districts, the deficiency may not be so great; but these are certainly the exception, and, as a general result, we regard the harvest of 1850 as inferior to that of moderately good average seasons."

October. — "Nothing has transpired since the completion of harvest to lead to the belief that the deficiency of the wheat crop has been exaggerated."

SECTION 5.

Character of the Season 1850–51.—*Prices and estimated Produce of Wheat.*

There was nothing remarkable in the weather of the last three months of 1850.

December (1850),—was open and mild. A few days only of frost in some parts of the country towards the latter end of the month, but not severe.

"The favourable character of the Autumn has probably had the effect of inducing the farmers to sow wheat more exten-

sively than would have been the case if the season had proved less propitious. And we are inclined to think that, notwithstanding the low range of prices, the breadth of land under wheat is as large as in previous years."—(*Farm. Mag.*)

January (1851)—was, throughout, remarkably warm for the season. Not a single day of frost or snow in London, and very little of either in the country, except on the 31st, when there was in the country a rather heavy fall of snow, which, however, very soon disappeared.

February,—the first week variable as to wet and dry. The last three weeks with a large proportion of easterly winds. Temperature throughout the month lower than January. Several night frosts, but not severe, and little or no snow.

March,—to the 14th, was cold, but not severely so, and dry enough for all farming purposes. Thence to the close of the month an unusual quantity of rain fell with a temperature milder than that of the first fortnight.

April,—to the 17th, variable as to wet and dry, with a large proportion of cold N.E. winds. Then became moderately warm till the 27th, the closing days of the month being cold and raw, with night frosts. Snow on the high grounds. The sowing of spring corn, which had been interrupted by the wet weather in March, was satisfactorily concluded in April.

May,—was, throughout, unseasonably cold. A large proportion of dull days, occasionally showery, with N.E. and N.W. winds. Very few days of even moderate warmth, and none of such a degree as is usual in May. The general character of the weather ungenial, and great complaints of the backwardness of the season.

June,—to the 21st, unsettled, and a large proportion of dull and cold days, on several of which rain fell. On the 21st the weather suddenly became sultry, with every appearance of a coming

storm, but none took place in London or its immediate vicinity. There were, however, very severe storms of thunder and lightning, and hail, and heavy rain in different parts of the country. On the 22nd the temperature became suddenly 15 to 20 degrees colder; but the remainder of the month to its close was fine and warm.

July,—was, throughout the month, of a low temperature for the season. Not one day of summer heat. Rain fell on several of the days, but not continuously; some of the showers, however, so heavy, as to lay the wheats in the districts where the crops were in a forward state. But the season was altogether backward. There was an eclipse of the sun in the middle of the day of the 28th, but hardly visible from the cloudy state of the weather.

August, — the first four days were moderately warm and fair; the following six days much colder, and mostly dull. From the 11th to the 25th was, in the southern division of the island, dry and fair, and some of the days of a very high temperature; while, in the northern division, and on the western side, a great deal of rain fell between the 11th and 18th. From the 25th to the end of the month the temperature was low, and there was rain on most of the days, but not heavy or continuous. Upon the whole, the weather during the month was favourable to the gathering and securing of the grain crops in the southern division of the island.

September, — to the 25th, remarkably dry, and mostly of a low temperature with a great prevalence of easterly winds. From the 25th to the 30th, westerly equinoctial gales; but these did not come on till the harvest had been secured in all but the remotest and latest districts.

The produce of the Wheat Crop of 1851 was estimated to be decidedly above that of 1850, both

in quantity and quality, but below that of 1849 in quantity.

The quantity of wheat and wheat-meal Entered during the Harvest Year 5th Aug. 1850, to 5th Aug. 1851, was 6,011,996 quarters. And the quantity of home-grown wheat Sold in the inspected markets, from 5th Sept. 1850, to 5th Sept. 1851, 4,297,310 quarters.

In the Calendar year (Jan.–Dec.) 1851, the Entries of foreign wheat and wheat-meal were 5,275,677 quarters; and the Sales of home wheat in the inspected markets were 4,487,041 quarters.

During the Harvest Year ended with September, 1851,—or at least with the early part of October, 1851—the fluctuations in the weekly average prices of wheat were as remarkable for the limited nature of their range as in the preceding Harvest Year. In September (1850) the price was 42*s.* 8*d.*—it gradually fell to 36*s.* 11*d.* on the 1st March (1851)—and then gradually recovered to 43*s.* 6*d.* on the 12th July. After the harvest there was a somewhat rapid decline; on the 11th October (1851), the average was 35*s.* 6*d.*; and that quotation was the *lowest* of any which occurred during the period of reduced prices. Practically, however, the extreme range of fluctuation during the twelvemonth was no more than 6*s.* per quarter, or from 37*s.* to 43*s.*; and even this trifling fluctuation was accomplished by very gradual changes. As far, therefore, as steadiness of price can be of any advantage, the period under consideration leaves scarcely anything to be desired.

From the monthly records of the Farmer's Magazine, I make the following corroborative extracts:—

July.—"In the commencement of the month (of July) when wheat was generally in bloom, rather high winds prevailed, which led to the impression that the blossoming might not proceed favourably, and on the nights of the 4th and the 11th the

thermometer fell to freezing point; for some days afterwards the temperature was low for the period of the year, and on the 15th (St. Swithin's) weather such as we have just described was calculated to produce some uneasiness as to the crops; but we are happy to say, that the atmospherical changes appear to have done far less injury than might have been expected. We hear of the corn having been a good deal lodged, the rain which has fallen having been so heavy as to beat down the crops."

August.—"The low range of temperature experienced during a part of July, and the occurrence of night frosts on one or two occasions in that month, had given rise to a considerable amount of uneasiness; large breadths of grain had been badly laid, and it was feared that the crops would be affected by blight and mildew; the uninterruptedly fine weather with which we have since been favoured has worked a most wonderful change: in the more backward districts the grain has been brought to maturity much sooner than could at one period have been anticipated; while the absence of rain, except an occasional thunder shower, has enabled farmers in the south to secure the great bulk of their crops in the finest possible condition, and at less expense than in seasons when the work is interrupted by rain. Even in those districts where the corn had been lodged, it has been harvested with comparatively little trouble, and the extent of injury sustained from that cause is far less than it would have been had the weather been unsettled. From all the information we have hitherto been able to collect, we have come to the conclusion that the produce of wheat in the United Kingdom will amount to a full average in quantity, and that the quality will be finer than we have had for several years past. Spring crops are variously estimated; but there are not many serious complaints."

September.—"The almost uninterruptedly fine weather which has been experienced since the close of July has enabled farmers in all parts of the country to carry the corn in excellent condition. The laid corn (and there were large breadths badly laid, particularly in the eastern counties) has ripened, and been harvested nearly as well as if it had maintained an upright position. There can be no better guarantee of quality than weight, and by this test the wheat crop must be pronounced the finest secured for years. In most of the principal wheat-growing counties, the samples of the new produce range from 63 lbs. to 64 lbs. per bushel, and 65 lbs. is by no means an uncommon weight. It may be taken as a general rule for granted, that when the quality is fine, the quantity cannot be very deficient. In some localities we hear of farmers being disappointed with the yield to the acre. We do not mean to affirm that instances may not be found of a deficient yield, but in dealing with the general result of the entire crop of the United Kingdom, we have no hesitation in stating that, after a

careful consideration of the subject, we feel satisfied that, both in quantity and quality, the return exceeds that of good average seasons. The superiority will, we think, prove to be greater in both respects in the south, the midland and western counties of England, than in the north and east. It was at one time thought that the wheat crop on the fen lands of Lincolnshire and Cambridgeshire had been irreparably injured, and that the produce in these fertile districts would prove no better than last year; since harvest, however, it has been discovered that, though the quality of the wheat grown on the fen lands is somewhat coarse, and the sample is mixed with blighted grains, the weight to the bushel ranges from 61 lbs. to 64 lbs., which is certainly 3 lbs. per bushel more than the produce of last year. We do not compare the present year's crop in Lincolnshire and the counties immediately adjoining with that of some seasons, such as 1842; but we think it may fairly be estimated as equal to that of good average years."

SECTION 6.

Character of the Season 1851–52.—*Prices and estimated Produce of Wheat.*

The Harvest Years of 1851–52 and of 1852–53 were attended with phenomena of weather so remarkable, and with consequent influence so important on the prices of Corn and on the Corn Trade, that I am induced to give a somewhat fuller account of them than I have given of the four preceding years:—

October (1851)—till the 14th was variable and mostly wet; thenceforward to the end of the month fair and dry.

November,—the whole of the month was cold for the season; heavy falls of snow in the country between the 14th and 20th, but none in London. Very little rain and hardly any fog. The weather generally favourable for farming operations.

December,—was much warmer than the preceding month. A large proportion dry. Only a few

night frosts. No fall of snow in London, and very little in the country. A few days foggy, but only one, the 12th, of any great density.

January (1852).—The whole of the month mild for the time of the year. A few night frosts, but none throughout the day. A good deal of rain. No snow in London, but heavy snow-storms in the country. Occasional violent gales of wind.

February, — the first half was open and mild, with a large proportion of wet. No snow in the neighbourhood of London, but a good deal fell in the north, especially in Scotland; the heaviest falls were on the 18th and 19th. The rest of the month dry and cold with night frosts, but none of any severity or lasting through the day. (Reports of short produce of rye and of potatoes in the North of Europe). Floods in the northern parts of Britain.

March,—the whole month was, with the exception of three days (the 21st, 22nd, and 30th), of a steadily low temperature, the wind being almost uninterruptedly east, and constantly dry.

April,—until the 28th, continuance of dry easterly winds and very cold. The long prevalence of dry cold easterly winds began to excite uneasiness for the growing crops, especially of spring corn, but the wind changed on the 28th, much warmer; and on the 29th and 30th copious rain.

May,—the wind again easterly; till the 7th dry and cold, with frosty nights. Thenceforward to the end of the month, winds variable, with a good deal of rain. Throughout the month the temperature low. Many days dry, harsh, and cold. Only two days fine and warm, the 9th and 16th. A backward spring. Hay scarce and dear.

June, — throughout the month a great deal of rain fell. The temperature mostly low for the season, which was consequently backward. The corn crops, which had suffered in appearance during

the long prevalence of dry cold weather till the first week in May, recovered, in a great degree, by the subsequent abundance of moisture; but the heavy rains in June had the effect of partially laying the wheat in the forward districts.

July.—The whole of this month was remarkable for an unusually high temperature with a large proportion of bright and hot days. The great heats set in on the 3rd, and continued without intermission, the thermometer being mostly above 80° in the shade, till the middle of the month, when the weather broke up with violent storms of thunder and lightning, and hail and rain. These had the effect of somewhat lowering the temperature, which during the remainder of the month ranged rather under 80°, fine and bright to the end. The corn crops were considered to have sustained injury from the weather in this month. The intense heat in the first fortnight, so unusual in this climate, had the effect of shrivelling the ears of the wheat which were most exposed to the burning sun. And the violent storms which occurred between the 14th and 17th laid the corn very extensively. It was chiefly, however, in the southern division of the island that these injurious effects of the weather in July were felt. The heats were not so intense nor the storms so violent in the midland and northern division. And accordingly the estimates of the eventual yield of the wheat crop showed a great inferiority per acre in the former compared with the latter.

August.—The fine weather, which had prevailed for several weeks with a high temperature, terminated on the 3rd of this month, when a good deal of rain fell; afterwards very unsettled and much rain. On the night of the 17th and the early morning of the 18th there was an extraordinarily heavy fall of rain accompanied by much thunder and vivid lightning, which lasted some hours. The

unsettled and wet state of the weather continued till the 21st, from which time, till the end of the month, fair summer weather. The crops of corn, and particularly of the wheat in the southern districts, where the harvest was in full progress, suffered greatly from the heavy rains which prevailed in the first three weeks of August, both from being extensively laid and from a large proportion sprouting. In the northern counties, however, of England and in Scotland, where the harvest was not so forward as in the south, and where the rains were not so heavy nor the temperature so high, the crops escaped the injury which the more southerly had sustained.

September, — the first fortnight was fair and fine, (with the exception of a storm of thunder, lightning, and heavy rain on the 7th,) and moderately warm. Afterwards, to the end of the month, variable with a preponderance of fair weather. And the entire month was favourable to the securing of the crops in the more northern parts of the island.

The results of this Harvest (1852) correspond very much with the difference in the character of the weather in the southern and northern divisions of the kingdom during the time of the ripening and securing of the crop. In the southern division the intense heats of July affected the quantity, and the wetness of the first three weeks of August greatly damaged the quality of the wheat; while in the northern division there appears to have been no injury from either cause. But, as the southern division embraces the largest proportion of the wheat-growing lands, the general produce of the entire crop may be considered as having been somewhat below an average.

The quantity of wheat and wheat-meal Entered during the Harvest Year, 5th Aug. 1851, to 5th Aug. 1852, was 3,796,664 quarters; and the quantity

of home-grown wheat Sold in the inspected markets from 5th Sept. 1851, to 5th Sept. 1852, was 4,852,623 quarters.

In the Calendar year (Jan.–Dec.) 1852 the Entries of foreign wheat and wheat-meal were 4,135,377 quarters; and the Sales in the inspected markets were 4,854,513 quarters.

In this as in the two preceding years the fluctuation of prices was within a very moderate range. The lowest quotation was 37*s.* 2*d.* for the week ending January 3rd, 1852. Under the impression of the very unfavourable character of the spring months, the price advanced steadily to 42*s.* 10*d.* in March. But some improvement in the weather, and in a still greater degree the very large foreign supplies, caused a slow decline to 40*s.* at the close of July. The very wet weather in August and reports of great damage to the crops gave rise to a speculative feeling in the markets, and the price reached 44*s.* 9*d.* in the week ending 4th September. But the tendency to a rise from this cause was overborne by the immensity of the imports, and the price declined to 37*s.* 10*d.* in October. A part of this decline might be ascribed to the inferiority of the quality of a great part of the wheat which had suffered from the rains in August. The extreme wetness of the weather in November and December, (1852), which rendered the lands unfit for wheat sowing, caused apprehensions to be felt for the effects in the following season and the price in consequence advanced to 45*s.* 11*d.* at the close of the year.

From the Farmer's Magazine I extract the following passages descriptive of the harvest period of 1852:—

June (1852).—"At the date of our last report (May), the appearance of the growing grain crops was such as to afford grounds to anticipate more than usual abundance; but the weather has since been of a character to render it doubtful whether the early promise will be realized. Up to the present

period no actual mischief of consequence has been done by the great quantity of rain which fell in the first three weeks of the month in all parts of the United Kingdom; still this, and the absence of sunshine, have given rise to uneasiness respecting the ultimate result of the harvest. The wheat plant, notwithstanding the drought in February, March, and April, grew rapidly during the spring; the showers and increased warmth experienced in May further stimulated its growth, and it became somewhat rankly luxuriant. The subsequent heavy rains in June were, therefore, far from favourable, and in some localities the plant has partially been beaten down; with an interval of dry weather it would probably regain an upright position."

July.—"The splendid weather with which we have been favoured throughout the month now about to terminate has wrought a wonderful change in public opinion in regard to the probable result of the ensuing harvest. The prospects at the date of our last report (for June) were certainly not of a character to warrant very high expectations: since then, however, we have had several weeks of intense heat, and, with the exception of partial thunder showers, little rain; the various crops have consequently been forced rapidly forward, and at present there is reason to believe that the harvest will prove superior both in quantity and quality to the average of good seasons."

August.—"We do not recollect a season for many years past, in which so great a change has taken place as that which has occurred during the month now about to terminate. When we last addressed our readers, the prospects for the harvest were of the most promising character. Soon afterwards it began, however, to be discovered that the intense heat of July had caused premature ripeness in the wheat, and that many of the ears would therefore be but indifferently filled. Subsequently, black blight manifested itself; and from these causes alone a material falling off was anticipated in the produce. The worst disaster, however, was still to come. The fine weather broke up just at the period when its continuance was of the greatest importance, viz., when the grain had become fully ripe. Heavy rain and high winds succeeded; the crops were beaten down, and lodged extensively. A great quantity of ripe corn was beaten out by the violence of the gales; but the most serious loss is likely to accrue from sprout. Repeated heavy showers and a close temperature have caused the grain to grow in the ear to a greater extent than is remembered for years. The mischief has been much greater in the southern and forward parts of the kingdom than in the north."

September.—"Harvest work having been generally concluded in England, we are now in a position to write in more definite terms in reference to the produce of the crops. It is

obvious that many severe losses have been sustained by the wheat growers in the whole of the forward districts. We speak within bounds, when we observe that nearly one-third of the wheats have been stacked in bad condition, and that the loss of good saleable parcels has exceeded one million quarters. As it is, we incline to the opinion — after making due allowance for losses by mildew, blight, &c.—that nearly, or quite an average *quantity* * has been grown."

October.—"As regards the result of the last harvest, we see no reason to alter materially the estimate we ventured to submit to our readers in September. That the extent of the injury sustained has not been overrated, we feel perfectly satisfied—indeed, we doubt whether farmers, in the districts which escaped best, will be reimbursed by their crops for their outlays; and that many will be very severe losers is certain. Even in the north of England, where the weather during harvest-time was comparatively propitious, a considerable proportion of the produce proves of ordinary quality; and in all the southern counties the complaints are nearly universal. One of the surest tests of quality is weight to the bushel; and, tried by this, the wheat crops must be considered as lamentably deficient in all the best wheat-growing districts of England. 60 lbs. to 61 lbs. per bushel may be considered as the exception, the greater part being 58 lbs. to 60 lbs., and a very large portion only 56 lbs. per bushel. On the average, the weight may be fairly considered 4 lbs. to 5 lbs. less than last year."

SECTION 7.

Character of the Season 1852–53.—*Prices and estimated Produce of Wheat.*

The closing months of 1852 were very remarkable for wetness and warmth.

In October (1852) a good deal of rain fell, but not so much as to excite particular notice. In November there were very few days on which rain did not fall, and on many days it fell very heavily. On the 12th and 14th the lower parts of Westminster, and Lambeth, and Southwark, were

* This estimate is hardly reconcileable with the report in the month following.—T. T.

under water. The inundations were general over most of the low lands of the country, and in many of the towns the floods rendered the streets impassable, except in boats. Heavy rains and partial floods continued without much intermission during the remainder of the month. In a communication to The Times newspaper of 6th January, 1853, by a correspondent who seems to have kept a very exact meteorological register, after giving an account of the weather in each preceding month of the year, is the following passage: —

"The disastrous floods of November will be so completely within the recollection of your readers, as to need but a short comment. The enormous amount of 5·79 inches of rain fell, and 6·20 inches near London. From the 11th to the 14th inclusive, the rain descended, with literally only the cessation of ten minutes, during these four days and nights. It would be no exaggeration to say, that for several weeks about this time the greater part of England was under water."

December,—by no means detracted from the remarkable character of the preceding twelve months. The south-west winds blew almost constantly, and the temperature was singularly mild, to such an extent indeed, that the spring flowers were in bloom through the month. On the 11th the maximum temperature was 58°, being 6° higher than on the 11th of June preceding. On the 16th and 24th there were violent thunder-storms in many parts; that on the 16th was general throughout the kingdom. A more particular account of the weather in December is given in a letter to The Times, referred to in a note below.*

* The following is the letter. It is dated Hyde Vale, Greenwich, 11th January, 1853, and bears the signature of Mr. Henry Belville, a gentleman of some eminence as an observer of weather phenomena. "The mean temperature of the last month (December) was 46·7° Fahrenheit, the highest, probably, for that month since the registering by thermometer has been employed. The mean for December for the last

January (1853),—partook of the same character of warmth and wetness as the two preceding months. Great complaints of the unfitness of the state of the lands for farming purposes. Extensive floods in most parts of the country. The Thames overflowed its banks onthe 10th. No snow fell in London. But on the 28th there was some snow (although not a continuous or considerable fall), to the north of London. The last week of the month sensibly colder.

February,—was ushered in by a very heavy fog on the 1st, which continued into the next day. A fog again on the 6th. The temperature, although colder than in last month, was mild for the season till the 10th, when winter may be said to have commenced. On the 11th there was a sharp frost, and a fall of snow. The rest of the month was cold and wintery. A great deal of snow fell; and in some parts of the country the drifts impeded communication. But it did not lie in London, except in the by-streets. The coldest day was on the 19th, when the thermometer stood at 18° in the early morning.

March,—was cold throughout. Frequent frosts and occasional snow; but none lay in London. Winds for the most part easterly. Very little rain through the month.

April. — In the early morning of the 1st thunder and lightning, and heavy rain, and the day showery. The weather throughout the month variable in proportions of wet and dry, also as to winds. Temperature moderate and mild to the 19th; much colder during the remainder of the month. There was only one day

forty years is about 39·4°; therefore the December, 1852, has been $7\frac{3}{10}$ths in excess, or above the mean; and the thermometer descended only once below the freezing point. The quantity of rain which fell during the month was 2 inches, making in all for the past year (1852), a depth of $35\frac{1}{2}$ inches at Greenwich, and the wettest year during the last forty years."

in the whole month that the thermometer marked so high as 60° in the shade.

May,—a prevalence of easterly winds through the greater part of the month, and a low temperature. On the 7th a great deal of snow fell in most parts of the country; even on the south coast at Brighton the fall was of some hours' duration. On the 16th, thunder-storms with rain in parts. With the exception of two moderately warm days on the 26th and 27th, cold to the end of the month. Winds easterly. Complaints of the backwardness of spring.

June,—to the 5th, dry and cold, with easterly winds, then to the 11th, westerly, and somewhat warmer; but no day of summer-heat, and no rain except a small sprinkling on the 6th. On the 10th and 11th there was very slight rain in London, but a great deal of heavy rain in the country. On the 13th and 14th much rain, both in London and in most parts of the country; 15th showery, then fair to the 19th. Thenceforward, to the end of the month, variable; with a great preponderance of wet. Winds for the most part westerly. The temperature of the whole month low. Less sunshine than usual in June, and not one day of summer-heat.

July,—on the 1st there was heavy rain; thence, to the 6th inclusive, fair, but mostly dull. In the night of the 7th–8th thunder and lightning, and heavy rain. Rain again on the 9th. On the 14th, 15th (St. Swithin), and the 16th a vast deal of rain fell. Heavy showers again on the 18th, and slight showers on the 21st and 22nd. Rain on most days till the 30th, which and the following day were fair, but dull, windy, and cold, which was the character of the whole month. Not one hot summer's day, and a general absence of bright sun.

August,—till the 16th, fair and occasionally fine, but mostly dull and cool for the season. On the 16th a great deal of rain fell. In the rest of the

month there was a large proportion of days on which rain, more or less heavy, fell. Winds variable. Temperature mostly low.

September.—Rain heavy and nearly incessant on the 1st and 2nd. The five days following fair, but very cold, with N.E. winds. From the 8th to the 16th a good deal of rain; then fair to the 23rd, whence, to the end of the month, several of the days were wet. Temperature of the month, low for the season.

It will have appeared from this account of the weather, that the entire season, from the closing months of 1852 to the end of the Harvest Year, was such as to preclude the chance of a good crop. The excess of wet which prevailed till the beginning of February interfered so much with the sowing of wheat, that it was computed, and, as far as I could judge, on good grounds, that the quantity of land sown with that grain was less by from one-fifth to one-fourth than in the previous years.

The produce per acre on this reduced breadth of land was, as had been apprehended from the unpropitious character of the weather during the whole period of the growth of the plant to its maturity, and during the progress of the harvest to its completion, found to be greatly deficient. Combining the deficiency of yield per acre with the diminished number of acres sown, there is reason to believe that the aggregate quantity of wheat, the produce of this Harvest Year, was below that of any season for many years past.

The quantity of wheat and wheat-meal Entered during the Harvest Year from 5th Aug. 1852, to 5th Aug. 1853, was 5,735,405 quarters; and the quantity of home-grown wheat Sold in the inspected markets, from 5th Sept. 1852, to 5th Sept. 1853, was 4,857,494 quarters.

In the Calendar year 1853 the Entries of foreign

wheat and wheat-meal were 6,111,997 quarters; and home Sales 4,560,912 quarters.

The Corn Market had advanced, under the influence of the apprehensions entertained in consequence of the extremely wet state of the lands during the closing months of 1852, and the quotation of the price of wheat reached 46*s.* 7*d.* in the week ending on the 1st Jan. 1853. Thenceforward, notwithstanding that the deficiency of the crop of 1852 was found, on threshing out, to be greater than the previous estimates, there was, in consequence of the very large foreign supplies, a decline, with very slight oscillations, to 43*s.* 3*d.*, in the week ending the 4th June. But the character of the season soon afterwards began to excite apprehensions for the approaching harvest in this country, and reports were becoming prevalent of unfavourable appearances of the corn crops over a great part of the Continent of Europe. Thus, while, in consequence of the diminished quantity of land under wheat cultivation, and of the doubtful prospect of the growing crops, there was reason to anticipate a short home produce, the advices from abroad led to the belief that an adequate foreign supply could not be obtained except at higher prices.

These apprehensions gained ground as the summer advanced, and the Corn Markets assumed a firmer tone. In the week ending on the 9th July, the quotation had reached 47*s.* 8*d.*, and continued to rise during the three months following, having attained to 59*s.* 5*d.* in the week ending 1st Oct. By that time, not only had the deficiency of our own crops been ascertained, but it became known that the harvests in France, Belgium, Italy, and other states on the Continent of Europe had failed equally with those in this country. The chances of a war between Russia and this country had at the same time greatly increased. In consequence of these threatening appearances

of impending scarcity, the Markets advanced rapidly to 73*s*. 7*d*. in the week ending 12th Nov., being a rise of 14*s*. within six weeks, and of nearly 30*s*. since the 4th June. There was then a pause, and a decline to 70*s*. towards the close of the year. This was partly a consequence of the large simultaneous arrivals from the Baltic, and partly the effect on the averages of the large proportion of the inferior quality of the wheat crop of the last harvest then coming to market.

From the monthly records of the Farmer's Magazine I take the following extracts:—

June (1853).—"In regard to the present position of the crops on the ground, we cannot speak very favourably. Notwithstanding the great improvement which has unquestionably taken place in the aspect of the country since we last wrote, the prospects for the next harvest are but indifferent. The autumn-sown wheat, where got in early, and on good land, looks tolerably well; but the proportion thus favourably situated is very small. The greater part was sown late, and with the soil in indifferent condition to receive the seed; and a considerable breadth of land was not seeded until spring."

July (1853).—"Considerable excitement has prevailed in the grain trade since we last addressed our readers, and a further rise has taken place in most kinds of corn. The entire advance in the value of wheat from the lowest point in May may be fairly estimated at 10*s*. per quarter. The month now about to terminate has, on the whole, been unfavourable, too much rain and an absence of sunshine having been the leading characteristics. We have, besides, had several violent storms of wind and rain, which have beaten down and twisted the corn crops so as to cause much injury. It is, therefore, more probable that, with a deficiency of one-fourth in the breadth, the acreable yield will also be small, even if the weather from this time to harvest should prove propitious."

August (1853).—"France is evidently in great want of wheat, and after having for several consecutive years furnished Great Britain with a million to a million and a half of sacks of flour, finds herself so bare of stocks as to require to import largely at a time when her own harvest has just been gathered. The weather during the spring and summer was similar in France to that experienced in this country, and the crops suffered from an excess of wet and the want of genial warmth.

Until cutting was commenced, the actual extent of the deficiency was not discovered; but as reaping was proceeded with, it was soon ascertained that the yield was exceedingly short. The accounts from some of the southern departments state that the produce of wheat will not much exceed half of an average crop; and though matters are not so bad in the northern parts of the kingdom, still the deficiency is reported to be very serious. * * We refer next to the state of affairs in the North. The harvest in the countries bordered by the Baltic is variously spoken of, but none of the advices represent the wheat crop to be large. The only ports in that quarter at which any stocks of old wheat of importance are held, are Dantzig and Stettin, and a considerable portion of the same has already been secured by buyers from France. The new crop will not be available for shipment for some time to come, the usual plan among farmers there being to prepare the land immediately after harvest for autumn sowing, and not to commence threshing until frost sets in. The only quarter, therefore, from which we can calculate on receiving any supplies of consequence is America, and the capabilities of that country to furnish large quantities of bread-stuffs have certainly been overrated. * * Wheat cutting in this country was partially commenced in some of the earliest districts the first week in August, but comparatively little was done till the 8th, and reaping was not general before the 15th inst. The weather, though at times overcast and showery, has on the whole been favourable. The potato blight does not appear to spread quite so rapidly as was feared would have been the case; still the disease is very general, and that portion of the crop least infected seems to be wanting in the necessary properties for keeping; many of the potatoes, apparently sound when dug, having been found to decay soon after having been taken from the ground."

"September (1853).—That the wheat crop of Great Britain is at least *one-fourth* short of an average we feel fully convinced; it follows, therefore, that we shall require an unusually large importation to provide for the wants of the population during the next twelve months. Where the requisite supply is to be obtained, and what prices we shall have to pay abroad, are questions of the utmost importance. We referred to these subjects last month, but it is not out of place to revert to them.

"As the state of France is likely to influence prices here greatly, we shall make that the first subject of inquiry. Some time before the harvest in that country was secure, rumours of a probable deficiency began to reach us; and when cutting had been fairly commenced, we received reports from most of the departments confirming the fears previously entertained. These fears were greatly strengthened by what subsequently took place. The Government, dreading scarcity, relaxed the

import duties, and it was at once surmised that such steps would not have been taken without sufficient reason: large orders were consequently given by individuals to purchase wheat wherever it could be procured. French buyers visited our markets; orders were sent to the Black Sea, the Baltic, and to America; and considerable quantities of bread-stuffs were secured before England began to take the alarm. After this had been done, the Government again interfered — an attempt was made to allay the excitement, the shortness of the harvest was denied, and the Paris bakers were prohibited from raising the price of bread. This had a temporary effect, and a slight reaction was caused; but the truth could not long be concealed, the accounts from all parts of the country confirmed the first reports, and it is now generally admitted by those who are the best able to form an opinion, that the wheat crop throughout France is from a fourth to a third short of an average. That kingdom and Great Britain are in nearly the same dilemma; both will have to import largely. * *

"We do not remember so much excitement as that of the last two months, for a long time past; indeed, nothing at all to be compared to it has occurred since the memorable year of the first appearance of the potato disease, 1847."

October (1853). — "In the South of Europe the wheat crops have generally proved short; indeed in some of the Italian States the scarcity is so great, that prices have already risen to a point to occasion serious deprivation and misery among the poorer classes."

November (1853). — "Experience has proved that the estimate taken of the yield of the crop of wheat in the country soon after it was gathered was on the whole tolerably correct. If we have erred at all, we have in our previous articles taken somewhat too favourable a view. We are inclined to think that the total yield of the United Kingdom may come up to about *two-thirds* of an average. This deficiency is, however, enormous; and to cover the same we shall probably need to import an extra *four millions of quarters of wheat.* This calculation we do not presume to give as accurate, as, in the absence of statistical returns of the annual produce or consumption of the kingdom, definite conclusions can hardly be hoped to be arrived at. This is, however, certain, that authorities of high standing in the trade estimate our wants at a still higher rate. Freights have risen at Odessa to 24*s.* 6*d.* per quarter, and 34*s.* had been actually paid at Galatz for the United Kingdom."

* It was stated at the time that some of the orders for grain were from the French Government.

SECTION 8.

Character of the Season 1853–54.— *Prices and estimated Produce of Wheat.*

A good deal of rain fell in October, 1853, and apprehensions were beginning to be entertained of as bad a sowing season as that of the autumn of 1852; but the two closing months of 1853 formed a complete contrast to those of the close of 1852. November and December 1853 were as remarkable for being dry and cold as those of 1852 for being warm and wet.

December was cold throughout, and the latter half of it severely so, with heavy falls of snow, and violent gales of wind, N.E. The month was colder than any December since 1844. The middle of December, 1846, was as cold, but not the closing days. Of the sowing time, it is observed in the Farmer's Magazine, "Altogether a larger breadth of land than usual has been cultivated with wheat, and the seed has been well got in."

January (1854), — set in with considerable severity. In the first four days there was frost and a succession of heavy falls of snow, which lay to a depth exceeding any that had been known since 1814. The streets of London were hardly passable on the 4th, and several of the railways were blocked up so as to interfere with the traffic for some hours. But on the 5th the frost began to give way, and there was no more of it in London, except a slight degree in the nights, and no fall of snow during the remainder of the month, but raw and cold. In the country, north and east of London, the frost lasted, and the snow lay much longer.

February, — was seasonably cold and mostly dry: from the 10th to the 14th slight frosts. On

the 17th a fall of snow; not much, nor to lie in London, but considerably more in the country. On the 18th to the 20th heavy gales of wind, S.W. to N.N.W.; the last of the month cold, but not severely so.

March,—the weather through the whole of the month was seasonable. A large proportion of fair and fine days. The winds mostly from the northern points. The temperature moderately cold. Several night frosts; highly favourable for farming purposes.

April,—was for the most part dry and cold, with a large proportion of easterly winds, and occasional night frosts, particularly on the 24th to the 26th. Complaints of drought as affecting the spring-sown crops injuriously. Grass backward, and short on the ground.

May,—on the 1st heavy rain. Several showery days till the 10th; then, with the exception of a slight shower on the 18th, dry and cold till the 22nd; the remainder of the month unsettled, but mostly cold; with a preponderance of easterly winds. A backward spring. Great injury to the foliage of trees by the frosts of this and the preceding month.

June,—rain on the first two days: then dry and cold, and mostly dull till the 13th, when there was a good deal of rain, and again on the 15th and 16th and 21st. The 23rd, 24th, and 25th fine and warm: the remainder of the month unsettled and cold. With the exception of the three days, 23rd to 25th, the whole of the month cold and ungenial, and less sun than usual.

July,—till the 15th unsettled, with a preponderance of wet, cold, and dull weather; not one day of summer heat. On the 16th a favourable change; fine, hot, and mostly bright till the 27th, when it became suddenly cold. Warm again on the 30th. On the 25th and 26th there were

violent storms in different parts of the country; particularly in Herefordshire, which was visited with floods from the overflowing of the Wye.

August,—till the 6th, unsettled, mostly showery and cold, the rain occasionally very heavy, causing apprehension for the corn crops. The remainder of the month for the most part dry, but of a low temperature for the season, with several dull days until the 27th, on which day it was much warmer; and the last three days of the month were bright and hot, and most favourable for the ripening and gathering of the crops.

September, — till the 15th, fair and dry, and moderately warm. The following ten days variable; equinoctial winds, with some heavy showers, but no continuous rain so as materially to impede the progress of the harvest. The remaining days of the month were bright and fine, and all that could be desired for securing the outstanding crops in the best order.

The description here given of the weather in the Spring and Summer of 1854 would not convey the idea of a remarkably fine season. The sowing time, indeed, of both Winter and Spring corn had been favourable; but the Spring and Summer months, until the middle of July, were of a low temperature, with a large proportion of dull days; and the Harvest was later by ten days or a fortnight than in moderately forward seasons; and there had been intervals in which during the process of the ripening of the crops some uneasiness had been felt as to the effects of the weather. But happily these intervals were of very short duration. And the result of the Harvest proves that the season must be pronounced to have been on the whole most propitious to the growth of wheat; because, as regards the produce of the crop of the Harvest of 1854, there is the fullest concurrence of accounts from all parts of the Kingdom, that it

is the largest in yield per acre that has been known for many years. It is the best in yield since 1834. The Crops of 1842, 1844, and 1849 were, as well both by the surveys at the time of harvesting as by reports of the experience from threshing, better than what are called fair or average crops, but they are surpassed by that of 1854. And the breadth of land sown with wheat in the Autumn of 1853 was unusually large, according both to general reports as to the fact, and to the *à priori* probability, in consequence of the favourable state of the land at seed-time, and the high and rapidly rising Prices, which held out the greatest encouragement to the cultivation of that description of produce. The quality various, but with a large proportion very fine.

The quantity of wheat and wheat-flour Entered during the Harvest Year 5th Aug. 1853, and the 5th Aug. 1854, was 6,461,174 quarters. And the quantity of home-grown wheat Sold in the inspected markets from 5th Sept. 1853, to 5th Sept. 1854, was 3,443,908 quarters.

The Corn Markets, which had risen rapidly during October and November, 1853, the price of wheat having reached 73*s.* 7*d.* on the 12th of the latter month, then declined to 70*s.* 9*d.* on the 24th December; but experienced thenceforward a renewed advance in the following week ending 31st Dec. 1853, to 73*s.*, and continued to rise throughout Jan. 1854, until it reached 83*s.* 3*d.* in the week ending on the 28th of that month.

This was the highest point that the price of wheat attained as the consequence of the very bad crop of 1853. The Markets then receded slowly to 73*s.* 5*d.* in the week ending 8th April. There was then, in consequence of the backwardness of the Spring causing some apprehension about the Crops on the ground, combined with a specu-

lative view to the War, a rally of the Markets, which advanced to 79*s.* 11*d.* in the last week of May. Thenceforward, notwithstanding occasional unsettled weather as the Harvest approached, and some interruption to the progress of it by rain in the early part of August, there was an uninterrupted decline until, in the week ending 12th September, the average got down to 52*s.* 5*d.* And such was the depression, amounting to something like panic in that week, in consequence of the certainty then acquired of the largeness of the crop, nearly the whole of which had been secured in the best condition, that good red Kent wheat, weighing 63 lbs. per bushel, was sold at 49*s.* to 50*s.*, and fine white at 55*s.* to 56*s.* per quarter. There was then a rally of the Markets, and a rapid advance of Prices, which eventually reached 74*s.* 7*d.* in the week ending 25th Nov. 1854; the whole of the rise, from the lowest point to which the averages had fallen in September, to the highest point which they attained in November, being no less than 22*s.* After this great rise there was a pause. The millers having satisfied their more urgent wants, and the demand for export to France having fallen off or ceased, while the supplies from our own farmers had increased, the Markets slightly gave way, but, after trifling oscillation, the average price by the Gazette returns in the week ending 30th Dec. 1854, was 74*s.* 3*d.*

The great and rapid advance of Prices which succeeded to the extreme depression which they had experienced under the influence of the sort of panic that prevailed in the Corn Markets of the United Kingdom towards the close of the harvest, the produce of which was found to be more than commonly abundant, took, both the Corn Market, and the Public, by surprise.

There had been nothing in the weather to cause

any injury to the still outstanding crops. Even in the latest districts they were in the course of being well secured, and nothing had occurred to throw any doubt on the correctness of the general impression of the superabundance of the Harvest. Various were the modes of accounting for this extraordinary reaction. But after the event, the explanation was obvious enough. The general tenour of all the information obtainable on such points is, that at the close of the Harvest of 1854 the stock of wheat in the hands of the farmers was unusually low, and nearly exhausted; while the Foreign corn in warehouse, although not so low in proportion, was lower than it had been for some years past at the same time of the year. It appeared also that nearly all the millers throughout the Kingdom had run themselves completely out of stock of wheat. To this they had been induced by the favourable appearance of the crops and general reports of their abundance, and by the very propitious state of the weather in the last week of August and the first week of September. Some of the mills, too, had stopped work for want of water.

When, therefore, the turn of the Market came and the millers had become satisfied that no reasonable ground existed for expecting a further fall, there was a general rush among them to get into stock. And this they were more urged to do, because the bakers, under the same expectation of lower Prices as had actuated the millers, had so reduced their stock of flour that, instead of having three or four weeks' consumption on hand, they had for the most part run themselves to their last sack, or had barely enough to keep their ovens going. Indeed it was said, and I rather think upon good grounds, that the larger millers were considerably oversold for future delivery.

This accumulated and pressing demand * from the millers would alone go a great way in accounting for the rise. At the same time a demand had arisen for exportation to the Continent of Europe, the crops there, although they had been reported favourably of during the progress of the harvest, were not considered to be so relatively abundant as those of this country. There, as here, the stocks of corn in the hands of the farmers and in the warehouses of the Importers were understood to have been at the time of Harvest unusually low.

And there can be no doubt that the War had some influence on the high range of Prices in 1854 and 1855, not only by obstructing the supplies from Russian ports, and in raising the rate of freight; but also by its effect on opinion in keeping back or retarding the supplies of Home growth.†

There is hardly a farmer in the Kingdom, I presume, who does not from personal recollection or tradition as to the state of things in the last great War associate in his own mind the idea of war with high prices of agricultural produce. And, in as far as the nature and character of the present War are calculated to obstruct or close sources of Foreign supply which previously existed, and to raise the rate of Freight and Insurance from the sources still open, it must be admitted that Prices are likely to be sustained at a somewhat higher

* This demand, caused by the exhaustion of the stocks of the millers which they sought to replenish, was, in the Market circulars and in the newspapers, construed into a vast increase of *consumption*, for the supposition of which, however, there is no ground whatever in accounting for the late range of Prices.

† The question of the manner and degree in which War is calculated to affect the Price of Corn and other commodities will be found to have been stated and discussed in the First Volume of this work, pages 86 to 117.

level than that at which they might otherwise have subsided. It is perfectly natural that such of the farmers as might otherwise have been disposed to thresh out more freely and avail themselves of these comparatively High Prices, should be led by an exaggerated opinion of the effect of war to hold off from selling, in the expectation of a further advance, or in the feeling of security against the chance of much lower Prices.

The Markets, however, for Home-grown wheat were fairly supplied, the Sales in the period 5th Sept. 1854 to the end of the year being 2,059,000 quarters against 1,490,000 quarters in the corresponding period of 1853, and being an increase, therefore, of 569,000 quarters, or more than one-third.

But the deliveries from the farmers, although abundant compared with the former year, were not sufficient to countervail the great falling off in the Foreign supplies. The falling off of the Imports of foreign wheat and wheat-flour, between the 5th August, 1854, and the close of the year, was no less than 1,915,000 quarters, as compared with the corresponding period of 1853.

A short extract from the monthly reports in the Farmer's Magazine will complete this section. Writing at the end of September (1854), it was said, —

"We stated last month (August) that we expected the average price of wheat would for some months probably rule between 50*s.* and 60*s.* per quarter; since then we have been below and above this range; but we still think that when matters become a little more steady that will be about the point. The weather is now, and has for some time been, highly propitious for preparing the land for Autumn sowing, of which farmers have taken advantage."

And, as regards probable Foreign supplies, it was said —

"The importations into the United Kingdom have lately been small, and the probabilities are that no large arrivals will take place till next spring. In Prussia, Poland, Holland and Belgium there are no old stocks worth naming. In France, wheat and flour are so scarce, that purchases are being made weekly in the English markets* on French account, and in the United States of America prices of bread-stuffs have, in consequence of reduced stocks and the unfavourable results of the Indian corn harvest, risen considerably above the rates current in the British markets; in addition to what has been taken by the millers, we have lately had rather an active inquiry for seed-wheat for the continent."

In continuation of these descriptions of the season 1853–4, I may now give a brief account of the early part of the Winter of 1855.

The Autumn of 1854 had been generally favourable for farming purposes; and it was reckoned that fully as great a breadth of land had been sown with wheat as in the former year. The month of December was rather remarkable for the absence of east wind. There were slight frosts in the middle of the month, but the latter part was open and mild.

Of January, 1855,—the first ten days were warm for the season. Occasional rain, but not continuous or heavy. The weather from the 10th to the 15th colder and dry, with some, although not dense, fogs. The 16th was a dull, cold, wet day, wind strong N.E., tendency to frost at night. The 17th was the first day of severe winter—a driving N.E. wind, with slight falls of snow, and the thermometer ranging under 30°. Then, till the 23rd, continuous frost; occasional falls of snow. On the 24th a thaw began, sufficient to melt the snow in the streets of London, although it continued to lie in most parts of the country; and the temperature in London but just above the freezing point till the 29th, when there was a

* This applies to floating cargoes.

renewal of the frost, and on the 30th a heavy fall of snow, which continued on the 31st, and lay as it fell.

February. — the 1st and 2nd, frost. On the five following days a cold thaw. On the 8th a heavy fall of snow and a renewal of frost, which became very severe, and continued uninterruptedly till the 24th. The greatest degree of cold was in the night and morning between the 17th and 18th, when, in some places, the thermometer marked as low as zero of Fahrenheit. There had been a fall of snow on the 23rd. On the morning of the 24th the thermometer rose above the freezing point, and the thaw became rapid and complete on that and the following day.

It is the renewal of the Frost on the 8th February, after only partial relaxation of a few days from the 24th to the 29th January, and again from the 3rd to the 8th February, and its uninterrupted continuance, sometimes at a very low degree, till the 24th of the latter month, that has given to the season the character of a severe winter. The Thames above the bridges was completely frozen over, and nearly so for some way lower down the river, and all communication by canals was at a stand. Stagnation of business, in consequence, and great suffering from want of employment of the dock and waterside labourers in London and at Liverpool, gave rise to partial disturbances, chiefly among that class of labourers. But, as the tendency to disturbance was promptly met by the interference of the Police, and by a seasonable distribution of relief, it had not proceeded to any alarming extent, when the sudden disappearance of the frost, on the 24th February, put an end to all apprehension on that score. The weather continued open, although raw and cold, to the end of the month. And the beginning of March was of the same character till the 9th, when

there was a return of frost. Snow fell in that night, and occasionally on the two following days, and lay partially in London, but to some depth in the country. On the 12th, heavy rains and high winds succeeded, and rapidly cleared away the remaining appearances of winter.

There are not many instances of a continuity and degree of frost in so advanced a period of the winter greater than that which (with only slight relaxations) prevailed from the 16th January to the 24th February (1855), a period of nearly six weeks. But it cannot be admitted into the catalogue of memorably severe winters, such as several of those which occurred in the latter years of the seventeenth century; or such as the winter of 1708–9, or 1739–40, or those of more frequent occurrence between 1767 and 1800. In each of those winters, to which may be added that of 1814, the frost commenced in the month of December, or sooner, and continued, with the intermission of a few days only, till late into the following spring.

A winter of considerable severity, and nearest in resemblance to that of 1855, was the Winter of 1838, in which the frost did not commence till the 6th January. From that day till the first week in February the cold was very severe. On the 20th January the degree was as low as any that had previously been registered; and as the severity of the frost on that day happened to coincide with a random prediction in one of the prophesying Almanacs (Murphy's), it gave celebrity and great profit to the author of the lucky prediction. The canals were all frozen, and the accumulation of ice in the Thames was nearly as great as it was in the winter of 1855. The severity of the frost in 1838 continued till the 4th February, when a thaw succeeded, and the navigation of the Thames was restored by the 8th of that month. There was, however, after

the interval of a few days, a renewal of wintery weather, with occasional falls of snow, through the remainder of February, and far into March. I mention these particulars of the winter of 1838, because of some similarity in its more important features to that of 1855. But there was less snow in 1838; and, on the whole, the season of 1855 was not so unpropitious as might have been apprehended from its resemblance to the winter months of 1838.*

SECTION 9.

The Large Importations of Foreign Corn from 1845–46 *to* 1853–54.—*And the opposite Theories of Diminished Home Production and Increased Home Consumption.*

Thus far the consideration of the circumstances affecting the prices of corn and the Corn Trade in the period under examination has been directed to a separate view of each season of the series.

I may now advert to some observations suggested by a survey of the whole period. And in entering on such a survey the attention is at once, and strikingly, arrested by the exceeding magnitude of the Supplies of Foreign Grain. For reasons already stated, I confine my attention to wheat

* For a more particular account of the Season of 1837-38, see Hist. of Prices, *ante*, vol. iii. pages 8—12.

and wheat-flour; and of these descriptions of grain produce the entries were as follows: —

Quantities stated in Imperial Quarters of Wheat and Wheat-flour ENTERED *for* HOME CONSUMPTION *in each of the Nine Harvest Years* (*5th Aug. to 5th Aug.*) 1845–46 *to* 1853–54.

	Qrs.
1845–46	2,722,000
1846–47	2,797,000
1847–48	3,183,000
1848–49	5,295,000
1849–50	4,258,000
1850–51	6,011,000
1851–52	3,796,000
1852–53	5,735,000
1853–54	6,461,000
Total	40,258,000
Average Nine Years	4,473,000

If the statement of results be confined to the Seven Harvest Years 1847–48 to 1853–54, the Total Import would be 34,739,000 quarters, and the annual average 4,963,000 quarters.

Attempts to account for this very great and unprecedented extent of the importations of foreign wheat have been made on nearly opposite grounds.

On one side it has been contended that the excess of the supplies of foreign corn indicated a falling off to that extent of what would otherwise have been produced in this country, and so much therefore abstracted from the returns to capital and industry, which would otherwise have been devoted to the cultivation of British soil. That, in short, there was a fulfilment of the forebodings of those who, in discussions on the Corn Laws, had predicted, as a ruinous consequence of their repeal, that vast quantities of land would be thrown out of cultivation. And among the proofs adduced in support of this view, great stress is laid upon the relative quantities of corn of home growth sold in the inspected markets.

On the other side it has been maintained, in proof of the beneficial effect of the free trade in corn, that it has been the means of adding so much food, as is indicated by the foreign supplies, to the quantity which, under the former system, would have been available for consumption.

With reference to the first of these modes of accounting for the excess of the importations of foreign wheat, there may be some truth in the assignment of substitution; but to this extent only, that, in consequence of the very low prices of corn, compared with those of cattle and sheep, during the interval from the close of 1847 to that of 1852, there must have been, and, according to all accounts, there was, a tendency to extend the proportion of grass land to arable.

In both these extreme hypotheses, the most important of the circumstances calculated to influence the varying amount of the foreign supplies — namely, the character of the seasons in this country as affecting the home growth — is wholly overlooked and ignored.

The amount of home-grown corn is affected by the character of the season, not only in its influence on the yield per acre, but by a varying extent of the quantity of land under tillage, so far, at least, as regards the quantity under wheat cultivation.

This quantity is liable to vary from year to year; partly from a reference to the price, which may be higher or lower for wheat than its proper value relatively to spring corn or to cattle and sheep; and partly from the more or less favourable state of the lands for the sowing of winter corn. The variation in the extent of land sown with wheat may be considered generally, in ordinary seasons, not to exceed, and perhaps rarely to reach, ten per cent. But there are now and then — happily, however, at distant intervals — seasons of so extraordinary a character for wetness

during the proper time for wheat sowing, as to reduce the quantity of land so applied by fifteen, or twenty, or twenty-five per cent. This was the case in the autumn and winter of 1839–40, and more notoriously in the recent instance of 1852–53.

And there is reason to believe, according to opinions expressed by witnesses before the Agricultural Committee of 1836, that, in consequence of the long prevalence of extreme low prices of wheat, compared with other produce, the quantity of land under that crop at the close of 1835 was less by one-fifth than in the preceding years.

But there does not appear to be the shadow of a ground for the supposition of any lands being thrown out of tillage, or kept in a deteriorated state of cultivation; such being the inference that the protectionists seek to establish. It is sufficient to refer to the tenour of the reports of the great agricultural meetings, and to the concurrent testimony of travellers who have visited different parts of the country, to establish the fact, that, throughout the length and breadth of the lands of the United Kingdom, never was there a time when Agriculture, in all its branches and in all its modes of cultivation, was in a higher condition, and in a state of more progressive improvement than it is at present.

Opposed to the hypothesis of Substitution as accounting for the large importation of foreign wheat, is the opinion that these vast supplies constitute a measure of the clear Addition of food for the consumption of the people of this country beyond that which, but for the abrogation of the Corn Laws, would have been available.

There is in this, as in the opposite, hypothesis, some truth with a great deal of exaggeration. And in both cases a very erroneous view is presented of the circumstances connected in the relation of cause and effect with the occurrence of these large importations.

From the lamentable want of accurate agricultural statistics little or nothing is known of the quantity of land under wheat cultivation in each year; and, excepting in the extraordinary cases alluded to, there has been little reference to this cause as having any influence on the price, or as accounting for any part of the variation in the extent of the foreign supply.

But, as regards the productiveness of the crop in point of yield per acre, although agricultural statistics are desirable with a view to verifying and giving official sanction to the results arrived at through private channels, they would add little to the information which is already usually obtained by, and circulated among, the several classes interested in a knowledge of the acreable produce of the crop. The classes of persons interested in obtaining such information are farmers, importers, and millers, to whom may be added the corn factors, and dealers, and the agents here of houses abroad engaged in the Corn Trade.

It is an especial part of the business of the corn-factors, not only those of Mark Lane, but those of the other principal corn markets in the kingdom, to obtain and to circulate by weekly letters of advice addressed to their clients and correspondents all that admits of being known of the state, aspect, progress, and prospects of the crops from the seed time to the harvest. Of the yield the reports are various, according to the means of judging of it from a survey of the fields and from after verification by the out turn or thrashing.

The most extensive, elaborate, and scientific of the methods employed for judging of the yield of the wheat on the ground at the time of harvesting the crop is that which has been adopted and followed annually for some years past, by the eminent firm in Liverpool, of which Mr. Sandars was the head. This plan of Annual Survey was first in-

stituted by the firm of Cropper, Benson, and Co., of Liverpool, in 1815, and continued till 1836, when, being given up by them, in consequence of their ceasing to have any interest in the Corn Trade, it was taken up and continued by Mr. Sandars and his successors in business to the present time.

I have not had any pecuniary concern whatever, direct or indirect, in the Corn Trade for many years past. But from the interest which I have felt in observing the fluctuations in the value of corn with a view to their elucidation as one of the purposes of this work, I have kept up an occasional communication with parties practically conversant with the subject. It is however to Mr. Sandars that I am most indebted for valuable information, independently of that which I have derived from occasional conversation and correspondence with him. He has been so obliging as to confide to me an inspection of the book in which the particulars of the Surveys instituted by him from the year 1837 to the present time are entered.

Having compared the figures, showing the results of Mr. Sandars's Annual Surveys, with the best agricultural reports appearing in works of authority, and with my own impressions from general information, I am of opinion that those surveys afford a fair representation of the probable yield of the crop, subject to some correction by experience on thrashing out. The effect of such correction would be an abatement from the estimate made at the time of harvest, in proportion as the grain was more or less injured in quality and eventually reduced in weight, by the prevalence of unfavourable weather during the process of securing the crops.

Mr. Sandars's Surveys do not extend to the north of Yorkshire. But the total production of wheat in the part of Great Britain north of that county forms so small a proportion to that of the southern division of the island that the effects of a difference

in the yield on the general state of the Corn Trade are comparatively insignificant. At the same time reports of the yield of the crops in the northern counties, including Scotland, are as regularly transmitted to London as of those of the southern, and a tolerably accurate estimate of them is made, although wanting the precision of Mr. Sandars's survey.

Assuming then that there exist grounds on which estimates may be formed, with a reasonable approach to accuracy, of the produce of Home-Grown Wheat, I am inclined to think that a consideration of the computed yield of the crops of wheat in the seven Harvest Years, 1847–48 to 1853–54 inclusive, will go some way towards accounting for the large importations of wheat in that interval.

In those Seven Years there was but one abundant crop, 1849; and one other, 1851, moderately good; while 1848, 1850, 1852, and 1853 were deficient more or less, this last being notoriously and remarkably so, both in the yield per acre and in the number of acres sown with wheat.

But the Foreign Supply to make good the deficiency of home-grown corn in those years would not have been so large, nor would the prices have been so low as they were in the Six Harvest Years, 1847–48 to 1852–53, and still more strikingly in the Three Harvest Years, 1849–50, 1850–51, and 1851–52, had it not been for two circumstances:—

1. The alteration in our Corn Laws, by which there was a great reduction of the scale of duties in 1848, and a repeal of all duties except a permanent one of 1*s.* per quarter on and after the 1st Feb. 1849.

2. The occurrence of good crops, accompanied by low prices, on the Continent of Europe, and especially in France and Belgium, in those years in which ours were deficient, until the harvest of 1853, when those countries, and Italy, and the

south of Europe generally, with the exception of the districts bordering on or having their outlet in the Black Sea, were visited also with scarcity.

SECTION 10.

The Same Subject continued. — Probable Effect of the Corn Law if it had been in force in 1848–49. *— Large Production and Low Prices in France and Central Europe.*

It would be a tedious and irksome, and not very profitable undertaking to show in detail what would have been the probable consequences in respect of the quantities of foreign corn admitted for home consumption, and the fluctuations of price, if the Corn Law, as it existed before 1846, had continued in force. I will, by way of illustration, state only one hypothetical case; that of the Harvest Year 1848-49.

If the Corn Law of 1828, or even the mitigated one of 1842, had then been in force, the duty by the fall in the price at the close of 1847 would have risen so much as to become prohibitory of any admission for home consumption after September in that year. But the season of 1848 from its commencement led to an apprehension of an unfavourable result, and importations to some extent would have taken place, and been deposited in bond on the speculation of higher prices and a reduced duty. As it was, notwithstanding the large quantities admitted for home consumption in the last months of 1847 and the early part of 1848, the markets were firm and mostly looking up; and undoubtedly prices would have been much higher had it not been for those supplies, and had it not also been for the prospect of the cessation of all but the 1*s.* duty, on and after the 1st Feb. 1849. As the harvest of 1848 approached, the

apprehension for the result of it increased, and the wet weather which prevailed during the harvesting, and was greatly injuring the outstanding crops, gave rise to a speculative feeling, under the influence of which the price advanced to 56*s.* 10*d.* in September; but the rise was checked and overborne by the large foreign supplies then pouring in. Had the old law remained in force, it can hardly admit of a doubt but that the price would have reached 73*s.*, reducing the duty to 1*s.*; when the whole of the quantity in bond and arriving would be admitted for home consumption. In the case supposed, the markets, under the pressure of the large quantities suddenly admitted to entry, would, as on former similar occasions, have given way. And the favourable appearances, throughout the season, of the crop of 1849, with the eventual large produce of that harvest, would have insured a progressive decline to 35*s.* or under. And similar circumstances would have been likely to occur as a consequence of the deficient crops subsequent to 1849. At the same time, the average prices would have been higher, and the quantities imported would have been smaller than they have been under the altered law.

But under the altered law the supplies would not have been so large, nor the prices so low and equable, as they were between the close of 1847 and the Harvest Year of 1852–53, had it not been for the other of the two circumstances which I have adverted to,—namely, the good crops and low prices on the Continent of Europe, and especially in France. In the majority of former instances of deficient crops in this country, a similar deficiency had been felt in France. Thus, in the groups of dear years, 1828 to 1831, and again 1838 to 1841, the harvests were not more productive in France than they were in Britain, and the former was then, as we were, an importing country. The case of

the years now under consideration is an exception to what appears to be something like a general law of similarity of the productiveness of crops in France and in this country.

Whether as the effect of season or climate, or extended cultivation in France, the fact undoubtedly is, that while, during the years between 1847 and 1853, there was a deficiency in the cereal crops of this country in that interval, requiring unusually large importations, there was a considerable surplus as the produce apparently of the harvests of those five years in France. The proof, or at least the presumption, to that effect is, that the exports of corn, and of wheat especially, from thence were unusually large during that period, and formed a very considerable item among the quantities imported from all other parts of the world into the United Kingdom.

A comparison of the Imports from France in the five Calendar years 1843–47, both years included, with those in the years 1848–52, will stand thus*: the quantities of wheat and wheat-flour are stated in imperial quarters:—

1843	3,000 Qrs.		
'44	45,000 „		
'45	36,000 „		
'46	73,000 „		
'47	179,000 „		
		336,000 Qrs.	
1848	320,000 „		
'49	742,000 „		
'50	1,145,000 „		
'51	1,193,000 „		
'52	459,000		
		3,859,000 „	
		Excess 3,523,000 „	

* In the Calendar year 1853, the Importation of wheat and wheat-flour from France fell to 341,000 quarters; and in 1854 to 206,000 quarters. — The reader is referred to page 133 *seq.* for certain statements by Mr. Sandars relative to the large foreign supplies of 1848–52.

And it will still further conduce to a proper appreciation of the effect produced on the grain markets of this country, by the abundant harvests in France between 1847 and 1853, if reference be made to the total imports and exports to all parts of the world, of wheat and wheat-flour into and from France during recent years.* I introduce, therefore, the following statement, and, in order to avoid accidental disturbances, it is made to embrace the Fifteen Years 1839–1853.

WHOLE of FRANCE — 1839–53 — *IMPORTS and EXPORTS to All Parts of WHEAT and WHEAT-FLOUR, stated in Imperial Qrs.*

Years.	Qrs. Imported.	Qrs. Exported.
1839	789,000	542,000
'40	887,000	325,000
'41	430,000	548,000
'42	517,000	704,000
'43	1,045,000	377,000
Aver.	734,000	500,000
1844	1,338,000	635,000
'45	853,000	584,000
'46	2,084,000	562,000
'47	3,766,000	702,000
'48	402,000	751,000
Aver.	1,668,000	647,000
1849	156,000	1,100,000
'50	318,000	1,672,000
'51	230,000	1,727,000
'52	513,000	1,094,000
'53	825,000	434,000
Aver.	410,000	1,205,000

In addition to the evidence furnished by these figures, we have the still stronger evidence furnished by the very low prices of wheat which pre-

* Compiled from materials furnished by Parl. Prs. 460/50; 577/51; 468/54.

vailed throughout France, but particularly in the regions of that country most conveniently situated as regards our imports during the years 1848–52. I insert, therefore, the following statement, drawn from official sources*, of the average prices of wheat in three of the ten regions into which France is divided for the purposes of its complicated Corn Law†, and also for the *whole* of France during two groups of five calendar years, viz., 1843–47‡ and 1848–52. The quotations are for the imperial quarter taken as equal to 2·9 French hectolitres, and the exchange is assumed at 25f. per £. The Gazette average of each of the years is also given for this country.

Average Annual Prices of WHEAT *in* FRANCE *during the Calendar Years* 1843–52.

Calendar Years.	North-west Region.	North Region.	Central Region.	Whole of France.	England Gazette Aver.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1843	2 3 4	2 5 7	2 4 3	2 7 5	2 10 1
'44	2 2 8	2 3 6	2 3 10	2 5 10	2 11 3
'45	2 - 11	2 2 5	2 3 4	2 5 10	2 10 10
'46	2 7 11	2 15 7	2 15 7	2 15 9	2 14 8
'47	3 5 9	3 12 7	3 14 9	3 7 4	3 9 9
Aver.	2 12 1	2 12 -	2 12 4	2 12 5	2 15 6
1848	1 17 -	1 15 11	1 15 9	1 18 7	2 10 6
'49	1 14 11	1 16 5	1 11 10	1 15 7	2 4 3
'50	1 11 6	1 13 2	1 9 3	1 13 2	2 - 3
'51	1 12 1	1 14 5	1 9 5	1 14 8	1 18 6
'52	1 18 8	2 1 8	1 16 8	2 1 4	2 - 9
Aver.	1 14 10	1 16 4	1 12 7	1 16 8	2 2 10

* Parl. Prs. 460/50 and 468/54.

† The reason for selecting those three regions is, that they comprise the principal districts whence the shipments to this country were made.

‡ The average annual prices for the Whole of France for the four years 1839–42 were:—

	£	s.	d.		£	s.	d.
1839 - -	2	11	4	1841 - -	2	3	-
1840 - -	2	10	8	1842 - -	2	5	4

This statement of the prices of corn in France in the period in question is incidentally worthy of remark in another point of view. The extremely low range observable in the years 1848–52 shows how utterly powerless the protective system, existing as it did there with the utmost rigour in that interval, is to preserve the growers of corn from a ruinous depression in the value of their produce in the face of good crops.*

I have so far spoken only of France; but in Prussia also, during the four years 1848–51, there was considerable abundance and a low price of wheat. For the whole of the Seven Provinces of Prussia, the average annual price of wheat of these four years, reducing the quotations to English money and measure, was not more than 32*s.* 6*d.* per imperial quarter; and that was a lower range of prices than had prevailed for any period of similar or nearly similar length since the five years from 1833 to 1837, when the annual average price for the whole of Prussia was 24*s.*

In Belgium, also, during the same period of four years to which attention is now directed—namely, 1848–51—the average annual price of wheat was as low as 39*s.* 6*d.* per imperial quarter; or considerably lower than it had been for even any single year since 1838. In a paper in the Appendix at the end of this volume, a statement is given of the countries from which our Imports of wheat and wheat-meal have been derived during the twenty-six years 1838 to 1853; and a reference to that paper will show very clearly that from 1848 to 1851, a very considerable part of our imports was drawn from those regions of the Continent of Europe, the condition of which, as regards a surplus of wheat, may be assumed to be indicated by the average annual prices in Prussia and Belgium.

* It also shows the powerlessness of the French agricultural statistics (such as they are) to prevent great fluctuations of price.

But there is yet another point of view in which the facts now stated may be regarded as of still more importance.

I have taken occasion to remark (at page 55. *antè*) that one of the two opposite grounds on which the large Imports of Foreign Corn had been attempted to be accounted for was, that they constituted a measure of the clear Addition of food for the consumption of the people of this country, beyond that which, but for the abrogation of the Corn Laws, would have been available. I did not then stop to comment on this opinion beyond remarking that it was greatly exaggerated. And I should hardly think such an opinion worth the trouble of controverting were it not for its appearance in a somewhat authoritative form.*

* The following passages contain the substance of the views intended to be enforced by an elaborate article in the Edinburgh Review for April 1854, an article evidently intended to attract, and which, in point of fact, did attract, attention as a defence on striking statistical grounds of the beneficial results of Corn-Law Repeal, and of Free Trade measures in general. I shall hardly be suspected of any wish to diminish by the smallest iota the triumph which, beyond all question, has attended both these great reforms. It is necessary, however, even in setting forth the successes of a just policy, that no violence should be done either to established modes of reasoning or to the facts of the case as they really exist; and I am afraid it must be admitted that on both these grounds the writer in the Review is open to serious animadversion in the whole of that part of the article which relates to the supply and consumption of food since 1846. The following are the passages:—

"The proportion of wheat to the total imports may be roughly stated at a half, and that in the last three years it considerably exceeded that proportion. Taking all the other grains over head as equivalent to half the same quantity of wheat, the imports of 1851, which we take as about an average of the last seven years, stand thus: —

	Quarters.
Wheat - - - - - - - -	5,330,412
Other grain (4,287,614 quarters) reduced to the standard of Wheat - - - -	2,143,807
	7,474,219

In round numbers, the annual imports — the annual *addition*,

The greater part of the reasoning of the ultra partisans of the Theory of Addition (particularly

as we maintain, to our supply of bread since the removal of the Corn Laws — amount to seven and a half millions of quarters of wheat. Now, what does that mean? Unless all our statists have been mistaken, it means nothing less than this: that *we have received an additional supply equivalent to the consumption*, or to what *was* the consumption, *of seven and a half millions of people*. Do not pass that fact lightly by. History has treasured up many smaller things. Taken even from a point of view which erroneously diminishes its magnitude, it means that between a third and a fourth has been added to the food of this nation of twenty-seven millions and a half, or rather to that article of food which is the first necessary of life. But as large sections of our population were previously in a condition to buy as much bread as they needed, and as other sections, chiefly the Irish peasantry, cannot be said to have attained bread even yet, it will not be rash to say that the increased supply has been taken off by an increased consumption confined to about one-half of the population — that fourteen millions of our people have by Free Trade been put upon full rations of bread whom the Corn Laws had condemned to be half fed. We cannot take leave of this part of the subject in a manner better fitted to freshen and fix the impression of the result than by this simple repetition — *under Free Trade the British people eat nearly a third more bread than they did before.*"

The introduction into the reviewer's statistics of the kinds of grain *other* than wheat is an inconvenience as well as a novelty. It has been considered by very general consent that the real state of the facts affecting the importation of grain into this country are sufficiently illustrated by confining the statistics to wheat and wheat-flour (stated together in imperial quarters), and that no useful purpose can be served by any process so arbitrary and general as that which seeks a rough simplicity by considering all other kinds of grain as equal to only half a similar number of quarters of wheat and wheat-flour. The unqualified form also in which the assertion is made, that the "*additional supply*" since 1846 has been seven and a half millions of quarters of wheat annually, exposes the reviewer to a somewhat abrupt and awkward question; namely, whether he is so far ignorant of what happened previous to 1846 as not to know that there were what he calls "*additional supplies*" of no small magnitude before as well as subsequent to that date. For example, the "additional supplies" of wheat and wheat-flour from foreign sources amounted annually during the years 1839–42 to fully one-half of the great result of seven and a half millions

as that theory has been expounded by the authority quoted below) is directed against the extreme hypothesis on the opposite side, already noticed, which is the same as that propounded by Mr. Newdegate and Sir F. Kelly in the House of Commons in the Session of 1854, to the effect that the whole of the imports of foreign corn were in Substitution of the additional quantity which, but for those foreign supplies, would have been grown in this country; and, further, that there had been not only a smaller growth, but a smaller consumption. The propounders of this opinion relied mainly on the returns of home-grown corn sold in the inspected markets; and, on the other side, great pains have been taken to show the insufficiency of these returns for this particular purpose. To some extent the objections are sound; but although, from the manner in which the returns are made up, I consider that they are not to be implicitly relied upon, still, they are calculated to afford in many instances, and I should rather say in the present instance, presumptive and corroborative evidence of the greater or less productiveness of the harvest. I have not, however, in my estimates of the productiveness of each season, adduced these returns as supplying grounds for an inference one way or the other, but have simply given the quantities in juxtaposition with the imports.

It appears to me, as I have already intimated, that both the extreme hypotheses—namely, the Protectionist hypothesis of the Substitution of foreign for English produce on the one hand, and

of quarters, which figures so largely in the reviewer's pages. Statistical accuracy, therefore, would compel him to consider that previous to 1846 the population were not half, but three parts fed; and this is only one of many ways in which the loose nature of the language employed exposes a serious topic to adverse criticism.

the ultra Free Trade hypothesis of the positive Addition of all the imported corn to our undiminished former consumption on the other hand—are almost equally remote from the truth. Of the two of these extremes, probably the first is the most obviously untenable; but it is a subject of grave regret that views so vague and unsettled as are implied by the second of them, should have been admitted into a publication justly ranking as an authority.* That under a repealed Corn Law we have got more corn and paid much less for it than we should have done under the former system, I hold to be perfectly demonstrable; and if the explanation put forth on behalf of Free Trade had been confined to an assertion or proposition to that effect, comment would be uncalled for.

So much of the hypothesis as relates to the endeavour to account for the large quantities of foreign corn imported within the period referred to, I conceive to have been sufficiently answered. And the exaggeration involved in the supposition that the consumption of bread had been increased by *one-third* as the consequence of those large supplies, appears to me to be so extravagant, as to need no serious refutation. But it raises a question of considerable importance in its bearing on explanations of the phenomena of prices in the Corn Trade,—namely, how far Abundance and a great

* I have already said, in the note at page 62, that no one will suspect me of a wish to raise doubts of the success of Free Trade; and I may here, perhaps, without impropriety, and without exposing myself to the charge of inexcusable egotism, state, that the Petition of the Merchants of London for Free Trade, in 1820, was drawn up by me. The fact of my having been the writer of that Petition has been generally recognised, and has not, I believe, ever been questioned. But I have never hitherto put forward a formal claim to the authorship, and I therefore avail myself of this, the last opportunity I am likely to have of asserting that claim, and recording it in print. The Petition will accordingly be found inserted in the Appendix.

consequent Fall of Prices are calculated to cause, or may be supposed to be immediately followed by, an increase of consumption of wheat, or of bread corn generally, as the food of man.

On this question I have had occasion to express a very decided opinion in the earlier volumes of this work; but some of the readers whom I am now addressing may not be in possession of those earlier volumes, which have been some time out of print; and as the whole subject appears to me to be of sufficient interest to bear a rediscussion, I will avail myself of this opportunity to recapitulate some of the views I formerly took of it, and to add such further remarks as the topic may suggest.

SECTION 11.

On the Effect of Variations in the Supply of Wheat on its Price, and on the Consumption of it as the Food of Man.—Principles stated in 1821.

The question raised by the title of this Section is one on which I had occasion to state my views when I was examined as a Witness before the Committee of the House of Commons on Agricultural Distress in 1821.

I was summoned to give evidence before that Committee at the instance of Mr. David Ricardo, who was a member of it. The purport of my Evidence was to state reasons for believing that the Low Price of Corn, and the consequent distress of the agricultural interests, were sufficiently accounted for by the Abundance of the supply, both from the unusually large produce of the preceding harvest, and from the surplus of the extraordinary importations of Foreign Corn which

had taken place in 1817 and 1818, when the ports were occasionally open free of duty under the provisions of the Act of 1815. As the general belief among the agriculturists, and, indeed, among nearly all the other classes of the community, was, that the Act of 1819 for the Resumption of Cash Payments, and the previous preparation for that resumption, had been the principal cause of the fall of prices not only in the article of Corn and of food generally, but in the greater number of other leading articles of consumption, I laid before the Committee a list of the comparative prices of nearly all the more considerable descriptions of produce, accompanying that list with statements of quantities which served to prove that in every instance of the particular commodity, the excess of supply, relatively to the former rate of consumption, was quite sufficient to account for the fall of price. Mr. Ricardo, in a very able pamphlet, which he published in the spring of 1822, entitled "On Protection to Agriculture," alluded to my evidence in support of his arguments against the principle and policy of the protective system; and also against the opinions then prevalent (and, indeed, still subsisting to a considerable extent from general ignorance of the facts of the case), to the effect that whatever might be the other causes of the fall of prices, alterations in the value of the currency had by far the largest share in producing that fall.

It may still be in general recollection that a great fall in the price of Corn took place after the scarcity and high prices of 1816–17.

In the latter end of March 1817, the Gazette weekly average price (per imperial quarter) of Wheat was 103*s*., and the price remained at about that figure till the end of the May following. In the last two weeks of June it was 112*s*. — the highest point reached — and then fell somewhat rapidly to 74*s*. in September.

In the Spring (May) of 1821, the weekly average was 51*s.* 5*d.*, and there was every appearance of a further fall; and, in point of fact, such a fall did take place, for during the latter half of 1822 the average price was barely 40*s.*

The very considerable difference between the Low Prices of 1821, and the High Prices of the years 1817 and 1818, and in a somewhat modified degree of 1819 and the earlier part of 1820, gave rise to loud complaints on the part of the agricultural interest; and the representations made by the organs of that interest in Parliament, led Lord Liverpool's Government to consent — but with great reluctance — to the appointment of a Select Committee of the House of Commons, to inquire into the "Depressed State of the Agriculture of the United Kingdom."

Of this Committee Sir Thomas Gooch was Chairman. It was nominated in March (1821), and between the 12th of that month and the 11th of May following, forty-two witnesses were examined — most of them in great detail. The Report, occupying twenty-seven folio pages of the blue book, was drawn up by Mr. Huskisson, and is one of the most able and remarkable disquisitions to be anywhere found on the subject to which it relates.

The Evidence given by me before the Committee is referred to in the following passage of the Report:—

"In the article of Corn, however, there is one consideration to be constantly borne in mind, most material to enable the House and the country to arrive at sound and safe conclusions on this important subject, — namely, that the Price of Corn fluctuates more than that of any other commodity of extensive consumption, in proportion to any excess or deficiency in the supply.

"The truth of this proposition had not escaped several writers on this subject, and has been confirmed by many of the witnesses who have been examined; although it may be doubted

whether, generally, they were aware of its extent and practical operation in the present state of this country and of our Corn Laws.

"The cause which produces this greater susceptibility in the Corn Market cannot be better explained by your Committee, than in the following extract from the answers of Mr. Tooke, one of the witnesses who was particularly examined to this point: — 'Why should a different principle apply to Corn than 'to any other general production?—Because a fall in the price 'of any other commodity not of general necessity, brings the 'article within the reach of the consumption of a greater 'number of individuals, whereas, in the case of corn, the 'average quantity is sufficient for the supply of every indivi-'dual; all beyond that, causes a depression of the market for a 'great length of time, and a succession of even two or three 'abundant seasons must evidently produce an enormously incon-'venient accumulation.'——'Is there not a greater consumption 'of Corn when it is cheap than when it is dear, as to quantity?— 'There may be, and possibly must be a greater consumption; 'but it is very evident that if the population was before ade-'quately fed, the increased consumption, from abundance, can 'amount to little more than waste; and this would be in a very 'small proportion to the whole excess of a good harvest or two.' ——'The whole population of this country, and others, do not 'subsist upon wheat; therefore, when wheat becomes cheaper, 'those who were formerly fed upon other Corn may take to 'feeding upon Wheat?—My remark was general as applying to 'corn. There is no doubt that if there is one description of corn 'applicable to human food which is abundant, and another that is 'deficient, then the principle does not apply; my principle 'applies to corn generally applicable to human food. It may 'be observed that abundant seasons generally extend to the 'leading articles of consumption, and that it seldom happens 'that, in what are called commonly good years, there is a com-'plete failure in any one great article.'

"In the substance of this reasoning your Committee entirely concur; and it appears to them that it cannot be called in question, without denying either that corn is an article of general necessity and universal consumption among the population of this country; or by asserting that the demand is materially varied by the amount of the supply. This latter proposition, except within very narrow limits, altogether disproportioned to the fluctuations in production, is not warranted by experience. The general truth of the observation remains, therefore, unaltered by any small degree of waste on the one side, or of economy on the other; neither of which are sufficient to counteract the effect which opinion and speculation must have upon price, when it is felt how little demand is increased by redundancy, or checked by scantiness of supply."

Of the truth of the principle stated in this passage, and of the correctness of the reasoning on which it is founded, I continue to entertain the fullest persuasion; and I will here endeavour, by reference to the course of the Corn Trade, and to facts within general experience and observation, briefly to elucidate my views of the mode of operation of that principle.

I have some recollection of having heard a criticism on the terms in which the reasoning adduced in support of the principle is stated, to the effect, that the reasoning proceeds upon the hypothesis, that the people were already "adequately fed," and consequently that an unusually abundant supply of food could not be immediately absorbed by a corresponding increase of consumption; and the criticism raised a question as to the validity of the grounds of that hypothesis by disputing the alleged fact of the people being "adequately fed."

The objection, it will be seen, rested on the expression "adequately fed;" but the objection was not dwelt upon, because it was found to be untenable, inasmuch as the course of events in the Corn Trade served to establish very conclusively the views adopted by the Committee; and my recollection would hardly have been called to this objection, had it not been for the very extraordinary manner in which the substance of that objection has been recently renewed by the authority referred to above (page 62, *ante*); for I must confess that I have rarely read allegations more startling or hyperbolical than those which call upon us to regard as matter of statistical fact, that "fourteen millions of our people have by Free Trade been put upon full rations of bread, whom the Corn Laws had condemned to be half fed;" (in other words, I am entitled to say half starved, for that is the logical synonyme of half fed;) and "that under Free Trade the British

people eat nearly a third more bread than they did before."

There is no definition of the expression "adequately fed" that would not, *primâ facie*, be open to criticism. But an attempt at a strict definition of it is not essential to my purpose, because the facts I propose to adduce in proof and illustration of the operation of the principle will be sufficient to convey the meaning which, according to my view, attaches to the phrase in question. At the same time, a short statement of the general sense in which I have used that phrase may serve to render the facts I have to present more clear.

It has always been understood in the discussion of questions relating to the population, and the means of its subsistence, that there exists a certain Standard of Diet in respect of quantity and kind of food with which the great bulk of the community are habitually fed. That standard I have always considered to be higher—embracing a larger proportion of wheat and animal food—in Great Britain than in any of the other civilised states of the world, — the United States, and, perhaps, America generally, excepted. But whether so or not, it is with the standard of diet in Great Britain, leaving Ireland out of the question, that my argument is concerned.

It is well known to all who have even only a slight acquaintance with the history of the Corn Trade in the last century, that a change then occurred from an inferior to a superior diet; from bread made of rye and barley and other inferior grain to wheaten bread.

And there is reason to believe that the standard of Quantity has been greatly improved within these forty years, that is, since the General Peace. For during the War the frequent recurrence of bad seasons, combined with obstructions to importation, had the effect of raising the prices of food to a

height out of all proportion to the wages of labour. Hence the origin of allowances of bread in aid of wages. And during the greater part of that period it might perhaps be said, with some semblance of truth, that the population was inadequately fed. Since the Peace, with the exception of the short interval of dear corn from the scarcity of 1816–17, there has been no such high range of prices for any length of time as to entail privations of food similar to those which were suffered during the War.

At the time when I gave my evidence, there had been a great fall in the prices of all kinds of food, and as wages had experienced no fall, or none in any near proportion to the greater cheapness of provisions, it might be considered that, in contrast to the state of things that had prevailed before 1814, the population might in 1821 be said in general terms to be adequately fed. But without further reference to the meaning of the expression "adequately fed," the substance of the reasoning is, *that an important addition to the supply of Corn, beyond the customary or average rate of consumption, is not calculated to cause an increase of demand in any near proportion to the increased supply.*

SECTION 12.

The Same Subject continued.—Facts in Illustration afforded by the Periods 1828–37, *and* 1838–41.

In proof and illustration of this view of the inadequacy of the Consumption of Corn as food for man to carry off or make any sensible impression upon a considerable Increase of Supply, I can refer

to the state of the Corn Trade between the years 1828 and 1838.

In the autumn of 1828 the prices of corn, and of wheat especially, rose, in consequence of the greatly deficient harvest of that year, to such a height (76*s.* and upwards) as, under the memorable Sliding-Scale then just adopted, to admit Foreign Corn to entry for home consumption at the minimum duty of 1*s.* per quarter. The quantity entered for consumption in the twelve months following amounted to about 2 millions of quarters of wheat; and in the three following years, 1829, 1830, and 1831, the crops having been again deficient, a further quantity, of about 3½ millions of quarters, was admitted at different rates of duty; — the average price for the four years (1828–31) being 64*s.* 4*d.*; and the fluctuation ranging from a maximum of 76*s.* 7*d.* in Nov. 1828, to a minimum of 55*s.* 4*d.* in Oct. 1829. I believe that reasonable grounds might be adduced for believing that there was little if any diminution of the consumption of bread during that period; but it is to the consequences of better seasons and lower prices in the years immediately succeeding to 1831 that I would call attention.

The Wheat Crops of 1832, 1833, 1834, and 1835 proved to be of more than an average produce; and that of 1834 was remarkably abundant. The effect of this abundance succeeding to the comparative dearth of the four years immediately preceding was to reduce the price of wheat at the close of 1835 to 36*s.*, being a fall of no less than 40*s.* from the highest price of 1829; or, in other words, a difference of 53 per cent. between the maximum of 1828–29 and the minimum of 1835–36. And the average price of the three years 1834, 1835, and 1836 was 44*s.* 8*d.*

During these Cheap Years the wages of labour, whether agricultural or manufacturing, skilled or unskilled, had undergone no reduction, and in a considerable proportion of occupations there had

been an increase, for in no previous period had the manufacturing industry of the country been in a more prosperous state.

The hypothesis, that an unusual abundance of wheat causes an immediate expansion of its consumption as bread, would have entitled us to expect that the surplus wheat produce of the years 1833 to 1835, or the greater part of it, would have been applied in that way. But the facts of the case did not bear out such an anticipation; for so little impression did the extra consumption, as food for man, make upon the extra supply, that wheat in 1834 and 1835 was used to a considerable extent for the purpose of feeding cattle, and sheep, and pigs, and for brewing and distilling. It is true that in consequence of the dryness of the summers of 1833 and 1834 the crops of spring corn were short, and fetched higher prices than usual, relatively to wheat. But still the fact remains, that Wheat, cheap as it was, cheaper than it had been for fifty years before, with a greatly increased population to feed, proved to be, even at extremely reduced prices, so unequivocally in excess of the demand for it as human food as to render necessary the adoption of unusual and inferior methods of absorption; and such methods of absorption of wheat, itself the particular commodity which, when converted into bread, is pre-eminent among the articles of an Englishman's diet, and considered as his staff of life, may be held to justify the expression in the passage quoted from the Report, "that the increased consumption from abundance (such as there described) can amount to little more than waste."

But further proof of the inadequacy of an increased consumption of wheat as food for man to carry off the Excess of Supply may be adduced in the following circumstances.

The very low price of wheat compared with its usual relative proportion to barley and oats, and

perhaps from the greater demand for animal food offering an encouragement to an extension of pasture, the breadth of land under wheat cultivation in the autumn of 1835 was less than usual by one fifth or one fourth according to the generally received opinion at the time, as expressed in evidence before the Committee on Agricultural Distress in 1836. The Crop of 1836 was considered to be deficient in yield per acre, and there was moreover a diminished quantity of land under wheat crop. The harvest of 1837 was also deficient.

Thus the produce of the better than ordinary crops of 1832 and 1833, and the very large one of 1834, so greatly exceeded the demand for consumption as food for man, notwithstanding the great fall in the price, and notwithstanding the application of it to unusual and inferior purposes, as sufficed to provide for the deficiencies of the crops of the two seasons 1836 and 1837; and even beyond that, it sufficed to provide for a very considerable part of the annual average difference which existed between the quantity of wheat grown at home and the quantity consumed at home; for during the six years 1832 to 1837 both included, the quantities of wheat and wheat-meal entered for consumption were so comparatively trifling as to amount on the whole to no more than 825,000 quarters; or 137,000 quarters on the average for each of the six years. And I am persuaded, as was the general opinion at the time, that if the crops of 1836 and 1837 had equalled in yield those of 1833 and 1834, the price would have fallen to 30*s*. That when the price was at 36*s*. there was an impression which pointed to the probability of a further fall, may be collected from the evidence of Mr. Sturge.*

* Commons' Committee on Agriculture, 1836—Questions 7281–87. Mr. Sturge says, that the apprehensions of falling prices had extinguished all speculation in corn.

On the hypothesis of two additional favourable seasons in the six years 1832–37, the admission of any important quantity of foreign corn would have been postponed for two or three years longer, and the opinion would then have been general that this country had become altogether independent of a foreign supply. As it happened, however, the greatly deficient harvest of 1838 altered the whole aspect and prospects of the Corn Trade. The price rose in August of that year to such a point (75*s.* 7*d.* on 17 Aug. 1838) as opened the ports at the shilling duty; and the whole quantity admitted for home consumption, in the twelve months ending in August 1839, amounted to no less than 3,560,957 quarters.*

There was a High Range of prices during the three following years: in the course of those years large additional quantities of Foreign Corn were admitted, thus affording the presumption that little if any diminution of consumption was effected by retrenchment, in consequence of the relatively high price, so as to meet in any sensible degree the deficiency of the harvests; and it is material to remember that the period of four years 1838 to 1841 both included was a period of great distress, with a tendency to a fall in wages among the manufacturing classes, and with a tendency to riot or disturbance, to be repressed only in several instances by the employment of military force.

It appears to me that the facts and circumstances relating to the Produce and Prices of Wheat during the Seven Years 1831 to 1838, as I have now adverted to them, are decisive in establishing the position advanced in my Evidence in 1821, and recorded in Mr. Huskisson's Report of the Committee of that year.

* The price of wheat, which, on the 1st January, 1836, had been 36*s.*, was, on the 11th January, 1839, 81*s.* 6*d.*, being a rise of 125 per cent.

Of the converse of my proposition, namely, the small saving of consumption in comparatively scarce years, the evidence of facts is not so distinct. There is little beyond presumption by parity of reasoning, founded on the experience of the Dear Years of 1838–41 just alluded to. But, at a period long anterior to the Inquiry of 1821, there is a Report of a Committee of the House of Commons, on the occasion of a Scarcity to which we have no parallel in more modern times, I mean the scarcity of 1799–1801, occasioned by the two very bad harvests of 1799 and 1800.

The Committee was appointed, in November 1799, to inquire into the extent and causes of the then Severe Scarcity, and to suggest the resources which were accessible, and best calculated to meet and supply the deficiency. They reported the deficiency to be two millions of quarters of wheat; and after enumerating the sources of probable supply, by importation, by stopping distillation from grain, and by the substitution of other kinds of food, all these resources amounting to 1,700,000 quarters, the only other resource reckoned upon was Retrenchment, and that was estimated at no more than 300,000 Quarters.*

Now 1799–1800 was a period of great depression in trade, and of great distress among the working classes. The price of the quartern loaf of wheaten bread, weighing 4 lbs. 5 oz., as fixed weekly by the assize, was, in one week, as high as 1*s.* 11*d.* and a fraction. If, therefore, under such circumstances, a retrenchment of only 300,000 quarters of wheat could be effected to meet a deficiency nearly seven times as great, it may be concluded with great reason, that, in the less severe dearths of

* Further details of the Report of the Committee of 1799 will be found at pages 221—223 of the First Volume of this work.

modern times, the proportion of saving by retrenchment must be very trifling.

I have, in the First Volume (pages 13–15) of this work, given a statement of the principle and the process by which a Rise of Price in a period of scarcity operates in distributing the pressure over the greater number of the community; and as the topic now under consideration has in some measure revived the important question involved in that statement, I am glad to avail myself of the opportunity of introducing a passage of singular force and clearness from a pamphlet by Mr. Malthus, published in the early part of the year 1800, and now almost forgotten. The pamphlet is entitled an "Investigation of the Cause of the present High Price of Provisions," and in the first chapter the following statement and illustration occur of the general principle which determines the Price of Corn during a Scarcity, and of the manner in which that principle was exemplified by the actual occurrences of 1799–1800.

"Adam Smith has most justly stated, that the Actual Price at which a Commodity is sold, is compounded of its natural price; the price at which it can be brought to market, allowing the usual profit in times of moderate plenty; and the proportion of the supply to the demand. When any commodity is scarce, its natural price is necessarily forgotten, and its actual price is regulated by the excess of the demand above the supply.

"Let us suppose a commodity in great request by fifty people, but of which, from some failure in its production, there is only sufficient to supply forty. If the fortieth man from the top have two shillings which he can spend in this commodity, and the thirty-nine above him more, in various proportions, and the ten below all less, the actual price of the article, according to the genuine principles of trade, will be two shillings. If more be asked, the whole will not be sold, because there are only forty who have as much as two shillings to spend in the article; and there is no reason for asking less, because the whole may be disposed of at that sum.

"Let us suppose, now, that somebody gives the ten poor men, who were excluded, a shilling a-piece. The whole fifty can now offer two shillings, the price which was before asked. According to every genuine principle of fair trading, the com-

modity must immediately rise. If it do not, I would ask, upon what principle are ten, out of the fifty who are all able to offer two shillings, to be rejected? For still, according to the supposition, there is only enough for forty. The two shillings of a poor man are just as good as the two shillings of a rich one; and if we interfere to prevent the commodity from rising out of the reach of the poorest ten, whoever they may be, we must toss up, draw lots, raffle, or fight, to determine who are to be excluded. It would be beyond my present purpose to enter into the question whether any of these modes would be more eligible for the distribution of the commodities of a country, than the sordid distinction of money; but certainly, according to the customs of all civilised and enlightened nations, and according to every acknowledged principle of commercial dealing, the price must be allowed to rise to that point which will put it beyond the power of ten out of the fifty to purchase. This point will perhaps be half-a-crown or more, which will now become the price of the commodity. Let another shilling a-piece be given to the excluded ten: all will now be able to offer half-a-crown. The price must in consequence immediately rise to three shillings or more, and so on *toties quoties*.

"In the progress of this operation, the ten excluded would not always be entirely the same. The richest of the ten first excluded, would probably be raised above the poorest of the first forty. Several changes of this kind must take place. The additional allowances to the poorest, and the weight of the high prices on those above them, would tend to level the two orders; but, till a complete level had taken place, ten must be always excluded, and the price would always be fixed, as nearly as possible, at that sum which the fortieth man at the top could afford to give. This, if the donatives were continued, would raise the commodity to an extraordinary price, without the supposition of any combination or conspiracy among the venders, or any kind of unfair dealing whatever.

"The rise in the price of corn and of other provisions in this country has been effected exactly in the same manner, though the operation may be a little more complicated; and I am firmly convinced that it never could have reached its present height but from the system of poor-laws and parish allowances, which have operated precisely in the same mode as the donatives of a shilling in the instance I have just adduced.

"The Harvest of 1799 was bad, both in quality and quantity. Few people could deny that there appeared to be a very considerable deficiency of produce; and the price of the load of wheat rose in consequence almost immediately to 20*l*. I returned from the North in the beginning of November, and found the alarm so great and general, and the price of corn so high, that I remember thinking that it was probably fully ade-

quate to the degree of the deficiency; and, taking into consideration the prospect of importation from the very early alarm, that it would not rise much higher during the year. In this conjecture it appears that I was much mistaken; but I have very little doubt that in any other country equally rich, yet without the system of Poor Laws and parish allowances, the price would never have exceeded 25*l.* the load of wheat; and that this sum would have been sufficiently high to have excluded such a number of people from their usual consumption, as to make the deficient crop with the quantity imported last throughout the year.

"The system of Poor Laws and parish allowances in this country, and, I will add to their honour, the humanity and generosity of the higher and middle classes of society, naturally and necessarily altered the state of things. The poor complained to the justices that their wages would not enable them to supply their families in the single article of bread. The justices very humanely, and I am far from saying improperly, listened to their complaints, inquired what was the smallest sum on which they could support their families at the then price of wheat, and gave an order of relief on the parish accordingly.

"The Poor were now enabled, for a short time, to purchase nearly their usual quantity of flour: but the stock in the country was not sufficient, even with the prospect of importation, to allow of the usual distribution to all its members. The crop was consuming too fast. Every market day the demand exceeded the supply; and those whose business it was to judge on these subjects felt convinced, that in a month or two the scarcity would be greater than it was at that time. Those who were able therefore kept back their corn. In so doing, they undoubtedly consulted their own interest; but they as undoubtedly, whether with the intention or not is of no consequence, consulted the true interest of the state; for, if they had not kept it back, too much would have been consumed, and there would have been a famine, instead of a scarcity, at the end of the year."

I am conscious that this disquisition on the greater or less influence of the Abundance and Scarcity of the supply of Wheat, and the consequent low or high prices, in extending or diminishing its consumption as the food of man, may be considered in the light of a digression. But, as I have before observed, it has an important bearing on explanations of phenomena in the Corn Trade. And the reference to the state of things between 1831 and

1838 may not be without interest in another point of view. It may serve to bring to the recollection of the remaining supporters of a protectionist policy (and I hope and believe they are but few), that the sliding scale of 1828 did not prevent a ruinous fall of prices and a very distressed state of the agricultural interests; for it was on the ground of extreme distress, that in 1833 a Committee of the House of Commons was appointed; and again in 1836 a Committee not only of the House of Commons, but of the House of Lords also, was appointed to inquire into the causes of such distress, and to suggest remedies, of which, however, they found none.

On the other hand, it may serve as a further answer, if further answer were required, to the gratuitous hypothesis, that before the repeal of the Corn Laws a large portion of the people of Britain were only half fed.

SECTION 13.

A Consideration of the More Important Causes which lead to Fluctuations in the Price of Corn; with particular Reference to the Doctrines put forward by the Promoters of Agricultural Statistics.

Not only has the period since the establishment of a Free Trade in Corn been remarkable for a general abundance and cheapness of Food, and for the magnitude of foreign supplies, but it has been still more remarkable for the steadiness, or absence of Fluctuations, in the Prices of Corn in the interval between the Two great Scarcities of 1846–47 and 1853–54; and especially during the three Harvest Years 1849–50, 1850–51, and 1851–52.

Considering, therefore, the prominence which has lately been given to the call for what are called Agricultural Statistics,—for which call one of the principal motives assigned has been the supposed influence of such statistics to prevent or abate fluctuation, or, in other words, to insure greater steadiness in the prices of agricultural produce,—some notice of this popular topic may here be not out of place.

In entering, however, upon the discussion of it, I am at the outset anxious to state most emphatically, that while I find myself compelled to dissent from many of the arguments employed by the more zealous advocates for agricultural statistics, and to regard as exaggerated or misapprehended many of the anticipations of advantage in which they indulge, I am in the furthest degree possible from being opposed to the establishment of an efficient machinery for the collection and publication of the information referred to. On the contrary, the publication in an Official Form of the quantities of Land under Cultivation for particular crops; and of the results in yield of Successive Harvests in this country; would supply in the most complete manner the precise kind of information which it has been one of the principal objects of this Work to collect and discuss. An effective measure, therefore, for obtaining Agricultural Statistics of the kind proposed could hardly be otherwise to my mind than most highly desirable. And in a public point of view, the information to be afforded by such statistics may be of no small importance in enabling the Government and the Legislature to judge of the progress of the country in material wealth.

But, concerned as I am in the elucidation of the circumstances acting upon Markets, and accounting for the variations of Prices, I consider myself bound to express my decided conviction that the Fluctua-

tions hitherto observable are not likely to be in any appreciable degree diminished by the proposed statistics.

It appears to me that the well-intentioned, and for the most part intelligent, persons engaged in the recent agitation (for such it may be termed) entertain very imperfect notions of the circumstances which determine the course of Markets for Corn and other Raw Produce. They would not otherwise countenance and promote the prevalence of views so erroneous and exaggerated as those which have been held forth in Memorials to Government, in Speeches at public meetings, and in printed statements which have been widely circulated.* It has been seriously alleged, for example, "that accurate statistics would prevent fluctuations in the price of corn, and that if they did so, even to the extent of a single shilling, the sum gained would amount to two millions sterling, and would pay for collecting the agricultural statistics of this country for the next century." But surely such a proposition is little short of a palpable absurdity. The source of a confusion of ideas such as the proposition indicates, may be found probably, in a failure to distinguish the essential dif-

* It is said, for instance, that "agricultural statistics would prevent all uncertainty as to the amount of Shipping required for the importation of foreign corn, and would therefore prevent fluctuations in the rate of freight on grain cargoes. At present there was an uncertainty as to the amount of one million tons of the shipping requisite to carry the supplies needed from abroad before next harvest." (City Memorial to Lord Aberdeen, 25th Feb. 1854.) "Since the harvest of 1853 Freights from Odessa had varied from 60*s.* to 170*s.*, a decisive proof of the want of agricultural statistics." (Speech by a presenter of the Memorial.) The speaker seems to have quite forgotten the outbreak of the War and the effect of blockades and embargoes.—Again, at the meeting at the Society of Arts, on the 5th April, 1854, agricultural statistics were assumed to be capable of preventing fluctuations, not only in domestic but in foreign supplies, all the year round.

ference between fluctuations of price and permanent alteration of the cost of production. The prevention of a *permanent* increase of the cost of wheat to the consumers of bread, by however small a sum, if such increase could be prevented by correct statistics, would doubtless amply repay the cost of collecting the information. But the attempt to prevent the mere fluctuation, distinct from any influence on the cost of production, would not justify the expenditure of a single shilling.

A due consideration of the real nature, and the causes and effects of Fluctuation in the Prices of Corn, will go far, I imagine, towards dispelling these and other exaggerations so prevalent on the subject.

It is among the dispensations of Providence that the fruits of the earth should be liable to be affected to a considerable extent, both in the quantity and the quality of the produce, by the vicissitudes of the Seasons. It follows, therefore, that from this cause alone there is an inevitable liability by a natural law to an occasional great rise or great fall, or, in other words, to a great fluctuation in the price. And it is not only the character of the seasons in this country, but the abundance or deficiency of the harvests abroad, that operates upon prices here. But besides the influence of the Seasons, there are other causes which operate powerfully on the Markets for Corn; such, for instance, as the discovery and opening of new, or the exhaustion or interruption of former, sources of foreign supply; such, also, as the occurrence of a war (like that with Russia) with a heretofore largely exporting country. Our own, now happily exploded, restrictions on the Importation of Corn were a fertile source of fluctuation. This cause no longer exists; but we are still liable to some influence on prices from changes in the legislation of Foreign States in regard to the admission of external supplies.

The minor fluctuations which are constantly occurring in the Corn Markets, and indeed in the markets for all other Raw Produce, are inevitable and perfectly innocuous. These fluctuations are caused by numberless accidental circumstances:—such as the varying wants and necessities of buyers and sellers; speculations also on the weather as affecting the prospects of the harvest; the difference in the quality and condition of the samples brought to market in one week compared with another: casual obstructions to internal communication by frost and snow at one time, and by floods at another: and casual interruptions of demand by mills standing still for lack of wind or water. Foreign supplies also may at one time be kept out by adverse winds, and so cause a temporary scarcity; and then, by a sudden change, arrive in fleets so large as to cause more than an usual pressure of sellers.* The word "fluctuation" is itself derived from the analogy which variations of price incidental to all Markets bear to undulations of the surface of the water. And the variations of price within moderate limits are as harmless as the waves which are caused by slight and varying breezes; while the fluctuations on an extensive scale may be likened to gales and hurricanes in the physical world, causing wreck and ruin to the property exposed to their violence.

Fluctuations of this violent character are sources of evil too palpable and too powerful to be in any degree disregarded; and if it could be made to appear that important variations could be prevented or abated by any scheme of official agricultural returns, a responsibility of the gravest kind would rest upon the successive Governments of this country for having neglected the means, if such

* This occurred in a case alluded to at the Society of Arts, and there described as a cause of fluctuation from want of knowledge of the annual supply!

had been in their power, of averting evils so great by the institution, long since, of a plan such as that which is now in progress for the collection and publication of the desired statistics.* I confess, however, that I have no idea that a plan like the present, if it had been sooner adopted, would have prevented or abated former Fluctuations, or is likely now to have such an influence on Future Prices, as to lessen in any appreciable degree the range of Variation.

Of the mode of proceeding in pursuance of the plan now in progress of execution, some favourable specimens have already appeared, namely:—

Report on the Statistics of Ireland for the Year 1852, published 28th November, 1853.

Report on the Statistics of Norfolk and Hampshire for the Year 1853, published 7th March, 1854.

Report on the Statistics of Scotland for the Year 1854, published 15th February, 1855.

The long interval in the case of the first of these Reports between the conclusion of the Harvest and the publication of the Report; and the interval, although shorter, but still very long, in the case of the two latter Reports, may be allowed for and excused, on the ground of the novelty of the process, and the consequent difficulty and delay in setting the new machinery in motion, and obtaining from it the required results.

When, however, the machinery comes to be worked with all the facility and celerity of which longer practice may render it susceptible, it is hardly probable that returns for the Whole of the

* In the evidence given before the Commons' Committee on Agriculture of 1836, the subject of agricultural statistics was touched upon by a few of the witnesses; but the general opinion expressed was, that, if obtained, the statistics could not be useful or operative, except as information, interesting for purposes of reference, and available for purposes of general discussion.

United Kingdom, involving details of ascertained facts so minute and multifarious, and computations of uncertain results, requiring so much care in order to arrive at reasonably approximative conclusions, could be collected, and collated, and prepared, so as to be in time for publication before the end of each year. It has been said, indeed, that complete returns might be made for the whole of the kingdom by the end of October. This was a sanguine view not much deserving of attention. But whether the Official Return can be made to appear in October, or be delayed till January, it is perfectly certain that all the important parts of the information it can contain will have been long previously ascertained, through methods and agencies of their own, by parties largely interested in the Corn Trade; and by these parties and their connections turned to the fullest account as an element operative on price. When the official paper appears, it will be a public document of the highest general interest, and it may serve to verify and correct the received computations; but, as regards the Corn Market, it will hardly be of more importance than a leaf from a former year's almanack.

If, however, it were possible and practicable (which it would not be) for the official returns to be published immediately on the termination of the harvest,—that is, by the middle or end of September; and supposing that this information were acted upon with confidence by Farmers and Millers, and by Merchants and Factors, there would be liability to great miscalculation, and, consequently, to great fluctuation in prices, if no account were taken of the stock of Old Corn remaining in the country at the close of the harvest. There is reason to believe that the stock on hand to meet the new crop of wheat has sometimes been as low as a million of quarters, or less; and at other times as high as six millions of quarters, or upwards. Now this is a

very important element, which, if overlooked in operations entered into in reliance on the statistics of the result of the harvest, would lead to serious mistakes, and therefore to variations in the Markets, beyond the real occasion. And yet this is an element of calculation which Government would not have the means of supplying, even as regards Foreign Corn, which now pays a duty at landing, and is no longer warehoused under the Queen's lock, and therefore no longer under the cognisance of the Custom-house.

But, further,—supposing that both the results of the harvests and the stock on hand were made known with sufficient approach to accuracy, by Government returns, there would yet remain the greatest uncertainty in the Corn Markets unless the probable extent of the Supplies from abroad could be known. And granting all these grounds for estimates of actual and forthcoming supplies to be within the power of Government to ascertain, there would be yet another influence on prices, — and consequently a cause of fluctuation,—namely, the speculative views operating on the minds of both buyers and sellers in the contemplation of circumstances likely to affect the produce of the next ensuing harvest. From the time of sowing to that of gathering the wheat crop, the casualties of the Weather exercise an influence on the Markets, and thus cause fluctuations at critical periods of the season. Among the claims put forth for agricultural statistics, it has been required, as a part of the information insisted upon, that there should be periodical Government returns of the appearance of the growing crops.*

* It was part of the plan described in outline by Mr. Caird, at the Society of Arts, on 29th March, 1854, that there should be monthly official reports of the state of the growing crops during May, June, and July! It was stated in the same plan, that the gross returns of the crops could be ready for publication on the 10th October each year.

These, and other contingences more or less important, are causes of fluctuation from Uncertainty of Supply. But assuming, for mere argument sake, the statistics of Supply to be perfect, there still remain the uncertainties of Demand.

For the reasons which I have before stated, the variations of *consumption* are on a much smaller scale than those of supply; but the *demand* on the Markets may occasionally have a considerable temporary influence on prices, as in the case of the autumn of 1854, of the millers and bakers trying to get into stock, after having left themselves bare. There may likewise be a demand for Exportation to France or to other parts of the Continent. How could any information from Government have supplied the statistics of such demand? But adopting the extreme and extravagant hypothesis, that all these elements of uncertainty admitted of having great light thrown upon them by statistics and other information published by Government, there would still remain to be solved the problem of what the price ought in consequence to be; and this, I will venture to say, will be found to be an insoluble problem.

The following passage from Mr. Burke's "Thoughts and Details on Scarcity" so admirably describes the process by which, in large markets, when uninterfered with by measures of Government, such as were then talked of*, there is a constant tendency through the instrumentality of prices to a just equilibrium of supply and demand, that I am tempted here to insert it:—

* There was a suggestion, at the time when Mr. Burke wrote, of establishing Public Granaries. Similar suggestions have frequently been made in France. During the low prices of 1850, I believe the Republican Government did to some extent act upon a scheme laid before it for buying up at the then low prices, grain to be made available as food for the army in dearer years.

"The Balance between Consumption and Production makes Price. The Market settles, and alone can settle, that price. Market is the meeting and conference of the consumer and producer, when they mutually discover each other's wants. Nobody, I believe, has observed, with any reflection, what Market is, without being astonished at the truth, the correctness, the celerity, the general equity, with which the balance of wants is settled."

This observation is as true now as when it was made, between fifty and sixty years ago.

It is hardly possible that any one, who feels sufficient interest in the subject to induce him to cast a glance over the accounts in the newspapers of the proceedings in Mark Lane, and in the great provincial Corn Markets, as also in Smithfield, and in the great Cattle and Sheep fairs of the United Kingdom, can fail of being struck with the vast amount of business transacted, the celerity with which it is despatched, and the just level of prices between supply and demand established. Mark Lane influences the country Corn Markets, as Smithfield influences the great cattle and sheep fairs; and the smaller country markets follow the larger.

SECTION 14.

The same Subject continued. — Illustrations derived from the Experience of the Years 1846 *to* 1855.

A review of the Fluctuations of Prices in the period from 1846-47 to 1853-54, both years included, will serve to illustrate the principle in support of which I have quoted the words of Mr. Burke; and will at the same time prove incontestably how utterly without influence any statistics which it would

have been in the power of Government to supply must have been, had they existed, in lessening, in any even the slightest degree, the fluctuations of prices which occurred in that interval.

And I am the more induced to institute an examination of the variations which prices then underwent, and of the causes of them, because a statement of those variations was introduced into a Paper which was read at a meeting held at the Society of Arts on the 29th March, 1854, for the purpose of considering the importance of instituting a system of agricultural statistics.

The following is the statement so exhibited.

HIGHEST and LOWEST Weekly Average PRICES of WHEAT in England and Wales during the Years 1846–53, *both inclusive.*

Calendar Years.	Highest Price.	Lowest Price.	Difference.	
			Amount.	Per Cent.
	s. *d.*	*s.* *d.*	*s.* *d.*	
1846	62 3	45 1	17 2	27
'47	102 5	49 6	52 11	50
'48	56 10	46 10	10 –	18
'49	49 1	38 9	10 4	20
'50	44 1	36 11	7 2	16
'51	43 6	36 9	6 9	15
'52	45 11	37 2	8 9	17
'53	73 –	43 3	29 9	39

Upon this statement I would observe, incidentally, that, generally speaking, very small quantities only are sold, at the highest prices; and that the range is materially influenced by difference of quality and condition. Without, however, dwelling on this point, I will proceed to examine the mode and degree in which scarcity, and a return to abundance, caused the rise and fall of prices in 1846–47,

A comparison of the prices of that period with the prices of the corresponding period in 1853–54 will not be without interest and instruction, independently of the immediate purpose for which I propose to institute it.*

Of the particulars of the Advance in the Price of Wheat in 1846, consequent on the deficiency of the crop of that year, and on the potato-rot, an account is given in a former volume of this work †; but I will here recapitulate a few of the more important circumstances.

The Weekly Average Price (of wheat) on the 15th August, 1846, was 45*s.* 1*d.* Soon afterwards it was found that the yield of the Harvest was somewhat deficient, and an increased degree of alarm on the subject of the potato-rot, not only in Ireland, but in this country, was gaining ground, and the price of wheat, in consequence, advanced by the 3rd October to 54*s.* But to these internal causes of a rise of price, there was, about that time, added an external cause, the alarm, namely, which prevailed in France, attended with a considerable rise of prices, on account of a reported deficiency of the wheat crop in that country, and also of the prevalence of the potato-rot. From these combined causes our Corn Markets advanced rapidly; and the weekly averages rose to 62*s.* 3*d.* on the 7th November.

It is material to notice this instance of the rise in the Corn Markets of France in connection with the corresponding rise which took place here; because great stress has been laid, in the various discussions to which the question of agricultural statistics has given rise, upon the advantages derived by the people of France from the information given by their Government of the produce of the harvest in that country.

* The comparative statement will be found at page 95.

† History of Prices, vol. iv. pages 32. 34.

Now, in the first place, I doubt whether the returns obtained by the French Government are usually received and published so soon after each harvest as to be of any practical advantage in the way supposed*; and, in the next place, the information published by that Government has not always been such as could be relied upon. An instance of this occurred in the month of November, 1846, when the upward tendency of the markets in France was checked by a public statement, in a report by the Minister of the Interior, "that there was no sufficient ground for the prevailing alarm." The effect of this announcement was to arrest the advance, not only in the markets of that country, but in ours. The average price in both countries was, in consequence, somewhat lower in the month of December than it had been in November of that year. And in so far the tendency of the misinformation was to check importation into both countries.

By the end of December (1846), however, it was discovered that the deficiency in France, as also in Belgium, and in the interior of Germany, and in the South of Europe, was greater than had been apprehended. There was a consequent general advance in the prices of corn over the whole of the Continent of Europe, and in this country in common with the Continental Markets. The averages, accordingly, for the United Kingdom reached 74*s.* 11*d.* in the week ending 30th January, 1847. At about this rate they remained, with trifling oscillations, till the third week in April, when the weekly average was 74*s.* 1*d.* Suddenly orders were received here from France and Belgium for purchases, which were, in consequence, made at advanced prices. The letters from Havre, and Dunkirk, and Antwerp, some of which I saw, contained the most alarming accounts, not only of actual deficiency, but of the prospect for the coming crops, both from appearances on

* It will be seen from page 154. *seq.*, that there *are not any annual* agricultural returns in France.

the ground and from the backward and ungenial character of the season. It was in consequence of the alarm so communicated, and of apprehensions arising out of the state of the weather for the crops in this country, that the average price of wheat in the week ending 29th May (1847) reached 102*s.* 5*d.** But a great change in the weather, and in the appearance of the crops, both abroad and in this country, then occurred, and prices, consequently, declined very rapidly.

This sudden and great fall immediately upon the favourable change of the weather proves that a great part of the speculative advance proceeded on apprehensions for the ensuing harvest. It is difficult, therefore, to understand how it could have been foreseen and prevented, or even moderated, by any information that Government could have given. And yet this instance of fluctuation was, at the meeting of the Society of Arts to which I have alluded, seriously adduced as the consequence of a want of agricultural statistics; and some of the speakers on behalf of the farmers went so far as to contend that they were all aggrieved by not having obtained the highest price to which the Markets attained. But only very small quantities of home-grown wheat were sold at these extreme prices. The principal speculations were, as in most cases they have been, in foreign wheat, either afloat or in bond. A large proportion of the wheat, in the instance of the speculation in 1846–47, was held on credit, and, as a necessary consequence, when the great and sudden fall of prices occurred, the losses sustained by the parties directly and indirectly concerned in these speculations, were extensive and ruinous beyond precedent.†

* The highest price in Mark Lane had been reached on Monday, the 17th of that month, when 115*s.* per quarter was paid in one or two instances for fine wheat, and in the Uxbridge market a very fine parcel was sold at 125*s.*

† A general answer may be given to the absurd notion of

The comparison of Weekly Average Prices following the Harvests of 1846 and 1853 respectively will stand thus:—

	s.	d.		s.	d.
1846, 15 Aug.	45	1	1853, 13 Aug.	53	3
„ 3 Oct.	54	–	„ 8 Oct.	64	–
„ 7 Nov.	62	3	„ 12 Nov.	73	3
„ 26 Dec.	61	6	„ 31 Dec.	73	–
1847, 28 Jan.	74	11	1854, 28 Jan.	83	3

This comparative view presents a considerable similarity in the gradation of the rate of advance, marked by the several stages of it from harvest time till the end of January following, when the full effects of the scarcity arising from the character of those two seasons may be considered to have reached their culminating point. And the explanations already given will have sufficed to show the adequateness of the grounds for each step of the advance.

But the similarity in the course of Markets in the two Seasons ceases after the end of January in each year. After that date, the influences operating on the Markets were widely different. In 1847, a rise of 28*s.* the quarter from the middle of April to the end of May, and the subsequent fall to nearly the same extent by the middle of July following, were caused in great part by a view to the weather in its supposed influence on the growing crops here and abroad. In the spring of 1854, the Markets both here and abroad were, with some slight exceptions, exempt from such influence, all accounts having concurred in favourable representations of the state and prospects of the crops; while the state of war and other circumstances which have super-

the advantages obtained by France over this country in greater steadiness of price: it is this — that according to statements of average prices in France for some years past, it will appear that the fluctuations there have been as great as in this country.

vened are sufficient to account for the much higher level of prices which has been maintained after the abundant harvest of 1854, compared with the level to which prices subsided after the harvest of 1847.

If I have succeeded in showing how utterly without influence would have been any statistics which it was in the power of Government to supply in preventing or diminishing the fluctuations of price which occurred as a consequence of the great scarcities of 1846–47 and 1853–54, there can be no difficulty in coming to the same conclusion as regards the inefficacy of any such influence to avert or abate the much smaller fluctuations that occurred in the five years between the close of 1847 and the close of 1852. The minor fluctuations in those five years, as exhibited in the statement referred to at page 91 *ante*, are really not worth mentioning, although the mode of stating them makes the most of the apparent difference by giving the highest and lowest quotations in each year.

I have already explained how inevitably, and from what various temporary causes, fluctuations of a few shillings in one week compared with another are constantly occurring. But the variations of price exhibited in the Table in question comprise the variations not only of the harvest year preceding, but of the new harvest. And this circumstance of itself would account occasionally for a considerable difference. The percentage of difference in these five years is made to appear formidable in the Table, but it really amounts to very little. There may be an unusual attendance of millers in one week, causing an advance of price; and a great display of samples at market from farmers in the following week: hence, and perhaps from a difference in quality and condition, or from a momentary speculation on the weather, the prices between one week and another may vary, as they not unfrequently have done, by a difference of 4*s*., and this upon an

average price of 40*s.* would figure as a variation of no less than ten per cent. And it is only persons wholly unacquainted with the course of Markets, not only for Corn, but for all other Raw Produce, who would suppose that such variation could have any possible connection with want of any information which Government could supply.

One among the arguments on which great stress has been laid is, that if the result of the harvest were published by Government, the merchants would know what quantity of food, if any, should be provided by them to meet the necessary consumption, and so provided as to avoid the ruinous speculations and losses incidental to the want of such information.

Now it so happens that, without any such protective information from Government, there were no ruinous speculations, with a single exception which in itself is hardly worth mentioning. With this exception*, if it can be so called, there has not, I believe, been a period of equal length so free from excessive speculation, and from losses by difference of price, in the Foreign Corn Trade during the last sixty years, as the period from the close of 1847 to the present time. And assuredly there has been no period of equal length in the last sixty years, in which the country has had the benefit of such abundant supplies of foreign corn at prices so low and so equable, as those of the five years from 1848 to 1852 inclusive; the subsequent high prices having been caused notoriously by the scarcity prevailing over all Europe in 1853–54.

* The failure here alluded to is that of a foreign house,—Castelli and Co., connected with several firms *en commandite* in ports in the Mediterranean. They were concerned in large shipments of corn to this country, and they failed in 1851, not so much from losses by a fall in price, as from the extent of their engagements, which were greatly beyond their means.

Is it possible, then, to contend that the possession of Agricultural Statistics, such as could be supplied by Government, would have insured to this country the benefit of a supply of Corn more abundant, or cheaper, or attended with less Fluctuation of Prices, or with fewer failures in the Corn Trade, than that which we enjoyed in those five years? And in no period of equal length in those Sixty Years has the price of bread been, on an average, so low, or experienced less variation. This indeed is the most important, if not the only consideration that ought, on public grounds, to be allowed any weight in the discussion of the question.

SECTION 15.

On the Relative Productiveness of the Harvests in England during the Forty Years 1815–1854. — *Mr. Jacob's Researches in* 1826–28.

It will be easily conceived that the course and object of the inquiries to which this Work is devoted have impressed me very forcibly with the extreme importance and interest which attaches to all judicious and intelligent attempts to ascertain, with some approach to a precision capable of being expressed more or less in a Numerical Form, the relative productiveness of the Harvest of one year as compared with that of another; and for the purposes of historical narrative, and of arguments and illustrations founded on that narrative, it is almost indispensable that some advance should be achieved beyond the vague

and general terms in which it is common to speak of the results of the harvest in this country.

I am not in the fortunate position of being able to supply, in a complete form, so great a desideratum as is here described even for any one year; but as regards the Relative Productiveness of the Harvests of the eventful period of Forty Years from 1815 to 1854 (both inclusive), I believe that I shall be able, in the course of the present and the following section, to supply data more near the truth than have hitherto been available.

It is known that in the early part of the years 1826 and 1828 very elaborate Reports were drawn up by the late Mr. William Jacob, the Inspector-General of Corn Returns, on the Trade in Corn, and on the Agriculture of some of the States of the Centre and North of Europe.* These Reports grew out of a confidential mission entrusted to Mr. Jacob by Lord Liverpool's Government in June 1825, the purpose of which was to "obtain the most correct information on every subject connected with the supply of Foreign Corn." In fulfilling the mission so imposed, Mr. Jacob travelled extensively and systematically, and with all official appliances, through a considerable part of Holland, Germany, and the countries further to the North; and the two Official Memoirs in which he recorded the results of his investigations became, on their appearance, works of the highest authority. Relating, however, as they do, for the

* The First Report was dated 21 Feb. 1826 (ordered by the House of Commons to be printed, 14 March, 1826), and was entitled, a Report on the "Trade in Corn, and on the Agriculture of the North of Europe." The Second Report was dated 16 March, 1828 (printed 18 April, 1828), and was entitled a Report on the "Agriculture and the Trade in Corn in some of the Continental States in Northern Europe." Both Reports were addressed to the Board of Trade.

most part, to a temporary phase in a progressive and changeful controversy, they have become almost forgotten documents, and, in point of fact, are not readily met with.

Connected, however, with the elaborate discussion of the condition of the Agriculture of foreign states, the Second Report contains some valuable information on the subject of the supply of Corn from domestic sources during the Twelve Years from 1816 to 1827, both inclusive; and of this portion of Mr. Jacob's labours I believe I may now avail myself with considerable benefit.

Mr. Jacob undertook a very extensive and laborious inquiry with the view of being enabled to construct a Table, representing, with as near an approach to truth as possible, the number of Quarters of Wheat *Consumed* in each year in Great Britain as food for man; and also the number of quarters of wheat *Produced* or Yielded in each year by the Harvest in Great Britain.

It will appear, I think, that the endeavour to ascertain the Consumption was the least successful part of the attempt; but the whole of the process followed by Mr. Jacob, as well as the whole of his results, are exceedingly valuable and instructive; and I introduce, therefore, from his Second Report, the passage in which (at pages 33–35.) he describes with great clearness and candour the steps he followed, and the impression which the results arrived at produced upon his own mind:—

"Few subjects admit less of correct statistical exhibition, than the Actual Quantity grown of an article so fluctuating in its produce as Corn. It is, however, desirable to attain as near to correctness as possible, in order to guard against such errors in legislation as may have an injurious and permanent effect on the prosperity of the whole community. It is desirable also, as a means of bringing to the touchstone of facts the various opinions which have been promulgated of the influence

of extraneous matters on the high or low prices of Corn in different years. Thus, the importation of Foreign Corn, the gradual extension of potato culture, the variation in the relative value of the currency of the country, with other causes, have been represented to bear with great power on the prices of corn. If the actual quantity of corn could be yearly ascertained, it would become more easy to calculate the influence of these extraneous causes, and to measure them with what is the greater cause — the annual fluctuation in produce.

"It is with this intention that I venture to submit to your Lordships some estimates, not indeed of the actual quantity of corn produced each year of the last twelve from our own harvests, but of the Relative Productiveness of each year of the series to the others. The Scale, as framed, may be adapted to any quantity which may be supposed to be the average consumption of the country for each year; the quantity consumed being a less doubtful, though ever a doubtful one, than the quantity produced. I have calculated the effect of the scale on the supposition of an Annual Consumption, exclusive of what is used for seed, of Twelve Million quarters of Wheat, though I have reason to believe what is used as food somewhat exceeds that quantity. As the scale is framed chiefly for purposes of comparison, it was desirable to adopt, for the average, a number easily divided into fractional parts.

"In collecting the facts on which the scale is framed, a variety of methods have been pursued, the results of each of which have been examined, and then compared with each other, to form the final result to which they have all led.

"Your Lordships are aware, that there are several individuals in this country, possessing large capitals, which have at particular seasons been employed in the Trade in Grain, who are in the practice of estimating the produce of each harvest, and the quantity remaining in stock in the whole kingdom. At the beginning of the harvest, such persons, either by their experienced agents, or themselves, inspect the state of the crops through the several corn districts, compare and register their remarks, and avail themselves of the combined facts, when brought into a focus, to regulate their subsequent sales and purchases of grain.

"As such individuals are neither influenced by political, party, nor theoretical views, but directed solely by their own pecuniary interests, their judgments are likely to be founded on a simple view of mere facts, to be quickened by the desire of gain, and to be improved by the annual practical surveys they take. I have been fortunate enough to obtain from several of these parties the conclusions to which in each year they have arrived, and feel myself indebted to them for the clearness and frankness with which they have communicated, under a caution

against bringing their names before the public, the estimates on which they have relied, and intend hereafter to rely, as the means of their individual benefit.

"By an extensive correspondence with almost every part of this Island, I have been enabled to collect a great number of accounts of the actual amount of the quantity of wheat grown in each of the twelve years in question, by individuals who cultivate the soil, and keep regular books of produce and sales. If I relied on such accounts, as to the actual produce of wheat in the whole kingdom in each year, I should most enormously miscalculate our annual growth; they would show an average number of bushels per acre, far exceeding what a true statement would exhibit: the fact is, that such accounts as I have been favored with, are returns from the best informed men on the best cultivated farms in their several districts.

"Although a calculation of the absolute quantity produced, resting on such accounts, would mislead, yet, for the purpose of framing a scale of the proportional productiveness, they may be trusted to with some degree of confidence.

"I am disposed to yield the greater confidence to them, from seeing that, differing greatly as the several farms do from each other in their average produce in the series of years, they nearly coincide, with very slight variations, as to their relative productiveness, in each individual year. On farms, for instance, which have, on the average of the twelve years, afforded but twenty-one bushels of wheat per acre, when compared with others whose average, during the same years, has been thirty-two bushels the acre, I observe, that each year has borne nearly the same proportion to the other years in every instance. Thus, on every one of the farms, the year 1820 exceeded by far the most the average of the whole years of the cycle, and the year 1816 fell the most below the same average. The years of intermediate productiveness vary little from each other in the several accounts in my collection.

"I have collated all those accounts, and formed from them an average; and compared that with the average derived from combining together the estimates of the several annual surveys of the speculative merchants. The result of this comparison has led me to depend, with some confidence, on the scale which I have framed from the junction of these authorities, and I now submit it to your Lordships' consideration.

"In order to discover any error in the formation of the scale, I have compared it with the remarks collected by Mr. Tooke, in his valuable work on 'High and Low Prices;' and with the accounts of the same years scattered, though vaguely, through the several periodical agricultural journals which are published both in England and Scotland.

"I beg here to make one remark, which has occurred to me

from examining and comparing the returns of the crops of wheat on so many farms, and in the counties of England most distant from each other:—it is, that the influence of Climate, or whatever else may influence productiveness, seems to be very equably distributed over the whole of England. Thus the same years which show the highest degree of productiveness in Northumberland and Durham, are found in Hants and Somerset to have yielded the largest crops; and the years which have been the least productive show the same comparative degree of deficiency in the same two distant districts.

"*A SCALE of PRODUCTIVENESS as far as regards the Crop of Wheat in each Year, from* 1816 *to* 1827, *both inclusive; in which the Number* 240 *is used to represent the Portions of Wheat here supposed to be* consumed, *in each Year, for Food in Great Britain:** —

YEARS.	Numbers indicating the Proportion.	Supposed Quantity of Wheat grown in each Year according to the Rate.
		Qrs.
1816	180	9,000,000
'17	234	11,700,000
'18	240	12,000,000
'19	250	12,500,000
1820	320	16,000,000
'21	252	12,600,000
'22	270	13,500,000
'23	220	11,000,000
'24	230	11,500,000
1825	254	12,700,000
'26	260	13,000,000
'27	246	12,530,000

"Although the preceding Scale goes back no farther than to the harvest of 1816, it is to be borne in mind, that the crop of the year 1813 was one of a most abundant character; the harvest of 1814 was a full average; and that of 1815 abundant, but a little inferior to that of 1813. When the calamitous harvest of 1816 occurred, the excess of the three preceding years had been preserved, and formed an accumulated store, which providentially prevented a dreadful scarcity, if not a famine, in the greater part of 1817."

It will be seen that Mr. Jacob adopted the plan of

* As regards 1819, see the note at page 129, *seq.*

fixing upon a Quantity of 12,000,000 Quarters of Wheat as the Average Annual Consumption of Great Britain, and of representing that consumption by the arbitrary Number 240: and then,—making the best use he could of sources of information open to him,—proceeding to show in what proportion the Produce of the Harvest of each year exceeded or fell short of the assumed Consumption.

Now in order to arrive at the third column ("Supposed Quantity of Wheat grown in each Year") of Mr. Jacob's Table, three most material elements of calculation are indispensable;—namely, (1) the average yield of wheat per acre in each year, (2) the quantity of land under that particular crop, and (3) the general character of the produce as regards quality.

As concerns the practical results of the operation of these several causes during the period 1816–27, we may safely assume that we have in Mr. Jacob's Table the nearest approach to the truth which could be obtained by the application of great ability and knowledge to the most ample means of information; and it is on this identical ground that I am desirous of preserving the record of Mr. Jacob's labours in this Work. But in the absence of resources similar to those possessed by Mr. Jacob, I cannot attempt to continue his Table from the point at which he left it to the present time. Of the three elements I have referred to, I shall content myself with an endeavour to supply an approximate statement in figures of the average annual Yield of Wheat Per Acre in England.

It appears to me that there are insuperable difficulties in the way of stating Numerically, with any approach to accuracy, either the total number of quarters produced, or the total number consumed, in any given year: and it would appear from a passage of Mr. Jacob's Report, only

two pages removed from the conclusion of the extract just given, that even he was on the whole induced to regard as extremely hypothetical and uncertain nearly all the figures of his estimate, except those which indicated the *relative* degree of productiveness of each harvest.

In continuation of the Table I have quoted, and using it as a basis, Mr. Jacob was led to frame a kind of continuous account of the whole results of the Supply and Consumption of Wheat in Great Britain from the harvest of 1816, year by year, to the harvest of 1827; and in this account allowances are made for stocks on hand, for importations, and for a consumption at the rate of a given quantity per head upon the growing population. Into this continuous account I have no intention of following Mr. Jacob: for, in truth, the only portions of it which represent absolute facts are the statements of the quantities of wheat in bond, of the quantities imported, and of the population.

It will be interesting, however, and not without benefit, to quote some of the candid comments which Mr. Jacob passes on a statement framed by himself, and only arrived at after great labour. He regarded with the most confidence his exhibition of the "Relative Productiveness of the several years," for this, he says, "being framed from as great a variety of facts as could be collected, is not likely to be very far from an accurate view." As concerns "the average acreable produce of wheat," he says, "There are no means of forming any judgment as to what rate of increase of the seed is gained. I have seen returns of farms where in some seasons the seed has yielded sixteen grains for one, and others where they have not exceeded five and a half for one." Of the number of acres destined to grow bread-corn, or even of the number under arable cultivation, he considers there are no

satisfactory notices. He says that in his Table the produce has been taken as nine times the seed, but that is "mere conjecture, and impossible to be either proved or disproved." Upon the question of the Annual Consumption of Wheat, the Report says: "It has been usual to estimate the consumption at one quarter per year for each person, calculated on the number of quartern loaves allowed by the magistrates weekly to paupers in some local districts. In the Table it is estimated lower, or at somewhat more than six bushels and a half for each person. It would be equally difficult to defend either of these rates of consumption as it would be to fix determinately what the rate really is."

These expressions of opinion on the part of Mr. Jacob, on a branch of inquiry beyond all doubt exceedingly familiar to him, have considerable value, as indicating the limits within which attempts at numerical statement of the total supply and consumption of Wheat (and of Corn generally) in this country may be best confined as regards those years relative to which the means of positive information are inadequate. And I may refer, as the most forcible illustration of this remark, to the difficulties which Mr. M'Culloch, the greatest living authority on such topics, has found in framing a Table of the estimated quantity of Wheat and other kinds of Corn produced in recent years in the three divisions of the United Kingdom.

The following figures,—taken from the luminous statistical estimates, framed, apparently, for the date of 1846, but repeated in the article Corn Laws and Corn Trade in the edition of 1849 of the Commercial Dictionary, and again inserted, in a corrected form, in the corresponding article contributed by Mr. M'Culloch in 1854 to the new edition of the Encyclopedia Britannica,—will show the important modifications which it has been

found necessary to introduce even into numerical estimates framed by authorities of the greatest eminence.

PRODUCTION OF WHEAT. — *MR. M'CULLOCH'S Estimates,* 1849 *and* 1854.

		1849.	1854.
ENGLAND: —			
Acres in Crop	*No.*	3,800,000	3,000,000.
Produce per Acre	*Qrs.*	4	3¾
Total Produce	„	15,200,000	11,250,000.
Produce under deduction of Seed	„	13,028,000	9,642,000.
Average Price per Qr.		£2. 10*s.*	£2. 5*s.*
Total Value		£32,571,000	£20,696,000.
SCOTLAND: —			
Acres in Crop	*No.*	350,000	350,000.
Produce per Acre	*Qrs.*	3½	3¼
Total Produce	„	1,225,000	1,137,000.
Produce under deduction of Seed	„	1,050,000	948,000.
Average Price per Qr.		£2. 8*s.*	£2. 3*s.*
Total Value		£2,520,000	£2,038,000.
IRELAND: —			
Acres in Crop	*No.*	600,000	400,000.
Produce per Acre	*Qrs.*	3	3
Total Produce	„	1,800,000	1,200,000.
Produce under deduction of Seed	„	1,500,000	1,000,000.
Average Price per Qr.		£2. 6*s.*	£2.
Total Value		£3,450,000	£2,000,000.

It would appear from these Estimates that Mr. M'Culloch has found it necessary to reduce his computation of the Total Quantity of Wheat grown in the United Kingdom (seed being allowed for)

from 15,578,000 Qrs. in 1846,
to 11,590,000 „ „ 1854.

or 3,988,000, or about 23 per cent. Less.

And it may be added that, adopting the supposed scale of an Annual Consumption of a Quarter of Wheat by each person, Mr. M'Culloch estimated the consumption of wheat in the United Kingdom, in 1846, at 15,000,000 Quarters, and in 1854 at 15,500,000 Quarters; and it will be an interesting continuation of the statement already quoted from Mr. M'Culloch to avail myself of his estimate of the Consumption of the different kinds of Grain in Great Britain in 1846 and 1854, viz.—

CONSUMPTION of CORN *in* 1846 *and* 1854.—
MR. M'CULLOCH'S Estimates.

	1846.	1854.
	Qrs.	Qrs.
I. CONSUMED BY MAN:—		
Wheat	15,000,000	15,500,000
Oats, Rye, and Maslin	13,700,000	10,650,000
Barley for Malting, Food, &c.	6,000,000	6,000,000
Beans and Peas as meal	700,000	700,000
	35,400,000	32,850,000
II. CONSUMED BY LOWER ANIMALS:—		
Corn (principally oats) used in the feeding of Horses and other animals; in Distillation, Manufactures, &c.	18,000,000	16,350,000
	53,400,000	49,200,000

Mr. M'Culloch points out that while the average annual entries of Wheat and Wheat-flour for home consumption were 1,474,000 quarters during the Eighteen Years ended with 1847, the corresponding entries were 4,231,000 quarters during the Seven Years ended with 1852: and it would seem that, retaining his views as to an annual average consumption of wheat of about 15,000,000 quarters, the very large increase in the Importations of Wheat in the period 1845–52 has had considerable influence in leading Mr. M'Culloch to reduce, as we

have seen above, his estimate of the Annual Average Production of Wheat in the United Kingdom from 15¼ to 11¼ Millions of Quarters. In a preceding section I have alluded at some length to the special causes which operated, during the period 1848–52, to increase the importations of wheat; and it must at least be considered as certain that those special causes sufficiently explain a considerable part of the phenomena.

How far an estimate of 15,000,000 Quarters may represent with approximate accuracy the Average Annual Consumption of Wheat in the United Kingdom, I have no means whatever of determining. I am quite disposed to regard Mr. M'Culloch as the authority perhaps best qualified to form and express a decided opinion as regards both the total consumption and the total production; and the best apology I can offer for not entering into similar inquiries is to refer to the uncertainties by which Mr. M'Culloch has found himself surrounded.

And not only can I refer to the uncertainties which Mr. M'Culloch has experienced; but by the publication of the Returns which have arisen out of the effort made in 1854 by the Government to obtain trustworthy Agricultural Statistics from Scotland, I am enabled to fortify myself still further by pointing out the entirely new results which are contained in that Return.

I refrain from expressing any opinion as to the conclusive character or otherwise of the arrangements made with the Highland Agricultural Society at Edinburgh, for the purpose of collecting authentic statistics of the Harvest (in Scotland) of 1854. I will say only that those arrangements appear to have been skilful and judicious, and perhaps quite as satisfactory as could be expected in a first attempt to accomplish a very delicate and

difficult operation. And to this remark I will add the further observation, that as the mere abstract of the returns for Scotland is dated at Edinburgh only on the 23rd January (1855), the period of six or seven months which has been found necessary for the purpose of collating and compiling the returns from the different parts of the country, lends great countenance to the views of those who, while entirely in favour of a system of agricultural statistics for purposes of general information, entertain serious doubts of the possibility of framing any trustworthy official statement of the result of the Harvest which shall have the supposed — or any — appreciable influence on the prices of grain, or on arrangements affecting its demand and supply.

It will be convenient, in the first place, to introduce a comparative statement of the latest Estimate framed by Mr. M'Culloch, namely, that of 1854, to which attention has been just directed; and the leading results given by the Official Return for Scotland with reference to the Harvest of the same year.

SCOTLAND.—COMPARISON of Mr. M'CULLOCH's latest ESTIMATE (viz. of 1854) *with the Returns published as the OFFICIAL RESULT of the First Systematic Attempt to ascertain (as for the Harvest of* 1854) *the Agricultural Statistics of SCOTLAND:*

ACRES IN CROP OF—		*Agricultural Return.*	MR. M'CULLOCH, 1854.
Wheat	*Acres.*	168,216	350,000
Barley	„	207,507	450,000
Oats and Rye	„	954,921	1,200,000
Beans and Peas	„	43,871	50,000
Potatoes	„	143,032	200,000
Turnips	„	433,916	450,000
		1,951,463	2,700,000

TOTAL PRODUCE OF—		*Agricultural Return.*	MR. M'CULLOCH, 1854.
Wheat	*Impl. Qrs.*	606,000	1,137,500
Barley	„	955,000	1,800,000
Oats and Rye	„	4,232,000	6,000,000
Beans and Peas	„	135,040	150,000
Potatoes	*Tons.*	523,383	7*l.* per Acre.
Turnips	„	6,372,189	

AVERAGE PRODUCE PER IMPL. ACRE.

Wheat	*Impl. Bush.*	28·8	. . .	26·
Barley	„	37·	. . .	32·
Oats and Rye	„	36·3	. . .	40·

The differences between the Official Return and the latest estimates by Mr. M'Culloch are, it will be seen, exceedingly striking; and the general result is to show a breadth of Land actually under crop *very much less* than has been constantly assumed, not only by Mr. M'Culloch, but by other authorities of eminence. For example, the number of acres under Wheat in 1854 is given by the return as considerably less than one-half of the number in the Estimate; and the same remark applies to Barley. For Oats and Rye the Estimate of the number of acres exceeds the Return by one-third, and for Potatoes by one-half.

As regards the Average Produce per Acre, the Estimate is not very wide of the Return; and here the difference consists, as regards the two leading crops, not as in the acreage, in the estimate exceeding the return, but in the return exceeding the estimate. The excess in the average produce of Wheat is nearly 3 bushels, and of Barley 5 bushels; while the produce of Oats and Rye is nearly 4 bushels less according to the return, than according to the estimate. It must be remembered, however, that 1854 was a year of

extraordinary abundance; and that the estimate is for one season taken with another.

In the list of the Scotch Counties the highest acreable produce of wheat given in the Return is 34 Imperial Bushels for Sutherlandshire—a County certainly in which the maximum yield would not have been expected. It is probable, however, that there were special circumstances affecting either the result, or the return, for that particular county. In the County of Edinburgh the produce is given as 32 bushels 1 peck; in Haddington as 32 bushels; and in Berwick as 29 bushels 1 peck. The smallest produce is 22 bushels 3 pecks, in Dumfries.

If any fair inference could be drawn from the foregoing statement of a similar difference being established by corresponding inquiries between the estimated and actual produce of Wheat and Barley, but of Wheat especially, in England and Wales, we should have to revise our estimates of the consumption, almost as completely as our computation of the produce. But I do not think that the fact of an actual acreage of cultivation of Wheat in Scotland so much below the lowest previous estimate, affords any sufficient ground of inference as to a similar, or indeed as to any, disparity between the computed and what may prove to be the actual acreage under Wheat in England and Wales. It is only within comparatively modern times that Wheat has been grown at all, or at least in any quantity worth mentioning, in Scotland. The climate, except in some favoured districts of that division of the United Kingdom, is not so well calculated for the cultivation of Wheat and Barley as of Oats and Rye, and Bere and Bigg, and the diet of the people of Scotland consists in a very much smaller proportion of Wheaten Flour than of Oatmeal.

And in this view it may be worth observing that in Norfolk alone, the only county in England as to which there is an official return, the acreage under Wheat and Barley is as nearly as may be equal to that of the whole of Scotland.

SECTION 16.

The same Subject continued.—Result of the Researches of M. Paucton with reference to the Consumption of Corn in France about the Year 1780.

Several references have been made in the course of the preceding Section to the estimates formed at different times, and by different persons, of the quantity of wheat which may be assumed to be the average annual consumption of the individual inhabitants of a country.

Mr. M'Culloch, as we have seen, computes the quantity at 8 Imperial Bushels (*i. e.* one quarter); and Mr. Jacob, as we have also seen, made his computation on the basis of a consumption of rather more than 6½ Imperial Bushels.

The authority of M. Paucton, the learned author of the "Métrologie,"* has been referred to by some of those who have discussed this point; and it will assist the inquiry to quote the exact words of the paragraph in which M. Paucton states the result of the researches referred to in his Chapter entitled "De la quantité de pain que produit une mesure

* *Métrologie; ou Traité des Mesures, Poids et Monnaies des Anciens Peuples et des Modernes*, Paris, 4to., 1780, by Alexis J. P. Paucton,—a book of a thousand pages, and full of disquisitions marked by great ability and learning.

de bled; de la consommation par tête des habitans d'un Etat; du Salaire des journaliers; de la dépense des particuliers de moyenne condition."

The paragraph is as follows — and I place within brackets the present English equivalents of the quantities given in the Old French Measures:—

"The *Résumé* of this Chapter is:—

(1.) "That a Bushel of Good Wheat, Paris measure [the boisseau measure of Paris was equal to ·358 of the Imperial bushel], weighing 20 livres poids de Marc [= 21½ lbs. avoir.], produces 16 livres of White Bread of the best quality, or 25 livres of household bread made of flour mixed with bran."

(2.) "That 2½ Sétiers or 30 bushels [= 10·74 Imp. bush.] of wheat suffice in general for the subsistence in bread alone of one person; whence it follows, that if this person lives on white bread, the consumption of such person will be daily 21 ounces and $\frac{3}{7}$, and that if fed on household bread it will be 32 ounces and $\frac{4}{7}$."

(3.) "That a Day Labourer, to bring up his family, requires to earn daily the value of a bushel [= ·358 Imp. bush.] of wheat, more or less according to the nature of his work."

(4.) "That the annual expenditure for all things necessary to life, of a person of Middling Condition, may be calculated upon the current price of 11¼ Sétiers of Wheat or of Rye [= to 48·33 Imp. bush., or say 6 Imp. qrs.; and it appears from the context that Paucton reckoned the sétier at 20 livres tour. — the annual sum would be therefore 225 l. t., or (at £ = 24) £9. 7*s.* 6*d.* sterling]. Nevertheless, as there are greater differences in expenditure than in fortune, this last rule is the least certain and the least applicable."

M. Paucton's estimate of an Average Annual Consumption of 10¾ Imperial Bushels per head, is relatively very high. It must be observed, however, that it relates to the consumption of a select class — soldiers — and that class remarkable for its powers of consumption. The French, however, consume more bread and less animal food than the people of this country; and it is probable that eighty years ago the difference between the two countries was greater in this respect than it is at present.

M. Paucton's conclusion, however, was not adopted until after considerable research, and his method of conducting the inquiry is so eminently candid, and so entirely in the true spirit of reasoning from ascertained facts, that I am induced to prolong my extract from the "Métrologie" by inserting the following further passage:—and more especially as it is desirable to have before us, both for practical and historical purposes, statements as distinct as possible of the standards of computation which were adopted by the best authorities of former periods in their attempts to arrive at positive results on the vital questions of the Supply and Consumption of Corn.

"In an explanation of the manner of Settling Imposts, inserted at the end of the Custom of Burgundy, and published in 1459, under the Duke Philip the Good, a day of Statute Labour is valued at 20 Livres of Wheat for a Man, and at 12 Livres of Wheat for a Woman; that is, by the year 343 bushels or $28\frac{1}{2}$ Sétiers of Wheat [= 15·35 Imp. qrs.], which at the rate of 20 livres the Sétier, are $571\frac{1}{2}$ livres [= at 24 to £ to 23*l.* 10*s.*]. I have to observe that there is much of country labour, such as making hay, binding sheaves, &c., in which a woman is neither less useful nor less expeditious than a man; and that in this it is not just to give her less wages. Legislators, in fixing at a Bushel of Wheat [= ·358 Imp. qr.] the wages of a Day Labourer, considered that he is charged with a wife and with children whom he brings up for the support and prosperity of the State; and as the families of this description of people consist at least of four persons, often five, six, or more, and that they all live on the labour of the father, they cannot have for the maintenance of each by the year more than 7 Sétiers of wheat at the utmost, often no more than $5\frac{3}{4}$ or $4\frac{2}{3}$, which amounts in this last case to 93 livres [=3*l.* 18*s.* sterling] a head, on the footing of 20 livres the Sétier. I know that the woman can often add something to this little sum, whether by spinning or otherwise; but when the children are little, her whole time is occupied in taking care of them.

In France it is computed that the annual expenditure of men one with another amounts to 100 Livres Tournois [=4*l.* 3*s.* 6*d.* sterling]. This is a mistake. In Germany it has been estimated at 30 rixdollars [= 119 livres = 4*l.* 15*s.* 3*d.* sterling]; this again is too little. In England it is computed at

Seven Pounds sterling. This sum is equivalent to 174 livres, and is more reasonable."

"The Common Soldier in the regiment of French Guards has nine sous [=4½*d.* sterling] a day, of which one sou is withheld from him for his linen, shoes, &c. He has, every three years, a new dress, which may cost 60 livres [= 2*l.* 10*s.* sterling]. On this footing a soldier in the Guards costs the King 184 livres 50 sous [= 7*l.* 13*s.* 3*d.* sterling], exclusive of lodging, &c. In the other regiments the soldier has only five sous [= 2½*d.* sterling] a day to spend, out of which there is equally withheld from him one sou to provide his linen, shoes, &c. A soldier then of this description consumes only 111 livres 5 sous [= 4*l.* 12*s.* 6*d.* sterling] per annum.

"But Soldiers in Garrison living in apartments in common have means of economising in their food and lodging, which persons in another station do not possess. For the rest, the consumption of the soldier such as we here compute it to be is inapplicable with reference to workmen. The soldier here is in garrison, and, with the exception of some drills, is sedentary. He will therefore consume less: but if he is on march, his daily ration, as we have already said, consists of 28 ounces of bread, a pint of wine or two pints of cider or beer, and one livre of beef or mutton.

"Now reckoning these things at their lowest, it is certain that he will consume three sous worth of bread, as much of drink, and as much of meat, which come to nine sous a day, and 164 livres 5 sous for the year; and adding to this sum 20 livres for his dress, this makes 184 livres 5 sous. In this sum I do not include the expense of repairs of linen, gaiters, stockings, shoes, and washing, &c. A soldier on march cannot cost less than 200 livres [= 8*l.* 6*s.* 7*d.* sterling] a year. I will add that the soldier sometimes consumes more than 28 ounces of bread, especially if he has it at discretion; for, according to M. le Maréchal de Puysegur, an army of 120,000 men consumes every day about 1000 sacks of flour, each weighing 200 livres [= 216 lbs. avoir.], which makes for each man one twelfth of a bushel a day, and $30\frac{5}{12}$ bushels [= 10·89 Imp. bushels] of wheat by the year. I here assume that this flour contains the whole of the bran; for otherwise this quantity of flour would make a consumption per head of more than a twelfth of a bushel of wheat a day. It may be remarked that, according to this observation of M. le Maréchal de Puysegur, I have been right [j'ai eu raison] in assigning to every inhabitant of a state a consumption of thirty bushels [= 10·74 Imp. bushels] of wheat a year.

"The Sieur Unger, in his 'Treatise on the Price of Corn,' has attempted to establish a rule distinctly applicable to persons of a middling condition of life. According to this rule,

the quantity of Rye which a man consumes by the year in a given country being known, the value of it is reduced into phennings, dividing which by 64, the quotient gives as many rixdollars as may be reckoned to be the annual expenditure of each person. For example, in those countries where $2\frac{1}{2}$ malters of rye are reckoned per head, if the malter costs 3 rixd. 8 gr., this sum will be 2,400 phennings, which divided by 64 gives a quotient of $37\frac{1}{2}$, which indicates the number of rixdollars which are to be reckoned per head for the annual subsistence in those countries. In truth [au reste] all the mystery of this rule of the Sieur Unger reduces itself to multiplying by $4\frac{1}{2}$ the price of the quantity of Corn necessary to supply the whole annual subsistence of an individual, whatever be the money in which this price is expressed. For example, suppose that a person consumes annually of wheat 30 bushels, or $2\frac{1}{2}$ sétiers, Paris measure, and that the sétier sells at 20 livres, the $2\frac{1}{2}$ sétiers will be worth 50 livres; multiplying this sum by $4\frac{1}{2}$, the product will be 225 livres [= 9*l.* 7*s.* 6*d.* sterling]: this is the annual consumption of all things necessary for life for a person according to the rule of the Sieur Unger, and this consumption is the value of $11\frac{1}{4}$ sétiers of wheat."—*Métrologie*, page 505. *et seq.*

It may be added, that M. Du Prés de St. Maur, writing in 1746, was led, after an elaborate investigation (see "Essai sur les Monnaies," page 100 *et ante*), to a conclusion even still more startling than M. Paucton, the date of whose volume is 1780. St. Maur says, "On peut donc estimer la consommation des hommes l'un dans l'autre à trois sétiers de blé [equal 12·78 Imperial Bushels, or 1·59 Imperial Quarters] par an."

Between Mr. Jacob's estimate of 6·5, and St. Maur's estimate of 12·78 Imperial Bushels, there is a difference of the most extreme kind, and a difference which may well justify the exercise of great caution in receiving any conclusions founded upon supposed rates of consumption.

SECTION 17.

The Same Subject continued.—Results of the Surveys of Cropper, Benson, and Company, 1813–36; *and of Mr. Sandars,* 1837–55.

In the course of the earlier volumes of this Work, I have had the advantage of being able to refer, on several occasions, to results obtained by the extensive and systematic Surveys commenced in the year 1813 by the late eminent firm of Messrs. Cropper, Benson, and Company, of Liverpool, who were concerned in the Corn Trade; and I am now enabled to refer to results obtained by the same Surveys, as taken up by Mr. Joseph Sandars in 1837, and carried on by him, and by the firm which has succeeded him in business, to the present time; and in considering the evidence afforded by these investigations, I have always felt that, whether or not the statements before me contained the whole truth, they at all events exhibited in precise figures the results of an actual inquiry, conducted by competent persons, having the strongest motives to ascertain the facts in their simplest form.

On all matters relating to the Corn Trade I consider the opinion of Mr. Sandars to be of the highest authority. There is no one, I believe, whose experience extends over a greater length of time or is founded on a larger scale of transactions successfully conducted, or who has formed conclusions by the aid of more extensive sources of information. His evidence before the Agricultural Committee in 1836 was, by general admission, considered as worthy to be ranked among the most clear and

practical oral expositions ever elicited by a parliamentary committee; and it produced a considerable impression at the time.

In the repeated examinations before Parliamentary Committees during the last five and thirty years, of Messrs. Cropper, Benson, and Co., and of Mr. Sandars, frequent references have been made to the Surveys, and partial statements have been given of the results; but, for reasons which are not material to our present purpose, no complete statement of those results has so far appeared. I am now enabled, however, by the courtesy and assistance of Mr. Sandars, to supply this desideratum.

The Surveys were set on foot for a purely business purpose—namely, of placing before the members of the firm, as authentic a statement as possible of the probable yield of the harvest in England in each year; the materials of the statement being collected by persons more or less competent—travelling for the express object, a short time before each harvest, always through the same selected districts of country; pursuing year by year the same methods of observation, and confining themselves rigidly to the single question of the yield per Acre of Wheat, as stated in Bushels of a weight 60 lbs. each.

Now it has appeared to me, in the confessed absence of nearly all accurate and positive information of the precise degree, as expressed in figures, of the Relative Productiveness of the Harvests in this country, that one of the most useful contributions to the present volume would be a statement of the results of what may be called the Liverpool Surveys during the Forty Years 1815 to 1854.

It is extremely desirable and important that we should, if possible, be able to speak of the harvest of

any particular year in terms more definite than the current phrases of a good, bad, middling, or indifferent crop; or of a crop above or below an average; or as being a full or good, a short or bare average. All these are modes of expression not only vague in themselves, but hardly conveying the same relative ideas to any two minds. The Table framed by Mr. Jacob for the twelve years 1816–27, (and already quoted,) to some extent supplies a numerical standard for part of the forty years I have mentioned; but, as already pointed out (page 105. *ante*), Mr. Jacob has embraced in his Table so many elements which are purely matters of estimate, that it would serve no useful purpose to attempt a continuation of his figures; and I have satisfied myself, after some reflection, that the best and safest course is to attempt no more than has been undertaken by the framers of the plan of the Surveys—namely, a statement of the Average Yield of Wheat per Acre in each year.

In the Evidence given by Mr. David Hodgson before the Agricultural Committee of 1821, a very full and clear account is given of the general plan of the Surveys; and I extract from that evidence the following passages:—

"You are a partner in the House of Cropper, Benson, and Company, at Liverpool? — I am.

"In what line of business are you engaged? — We are in various lines of business, the East-India, the American, and the Irish Corn Trade.

"Have you been extensive dealers in Foreign Corn? — We have.

"And are now holders of foreign corn in bond? — We are.

"Have you, with a view to guide your commercial transactions in the article of corn, endeavoured, by any means, to ascertain what has been, of late years, the state of the wheat crops of this country? — We have.

"Have you any objection to state to the Committee the mode which you have adopted for ascertaining this point? —

None; but we should prefer, in giving a detail of it, that it was only used for the conviction of the Committee, in order that they might decide what importance they might attach to the results; we have been at very considerable expense, and consumed a great deal of time in obtaining the information, and we should prefer that the details of the manner were not made public.

"Have the goodness to state the results? — We have examined, for the last several years, *but more correctly since* 1815, a district of the country, comprising about 1,000 miles, and we have endeavoured, as accurately as possible, to take a fair average of the fields examined.

"What are the districts of country generally included in this survey of 1,000 miles? — We have generally commenced in Kent, and gone down the whole of the east coast to Berwick, and once or twice to Edinburgh, as one part of the survey; the others we have taken from Liverpool through Cheshire, Shropshire, Worcestershire, Herefordshire, round by Birmingham, and taken in the whole of Warwickshire and Staffordshire, and come round in that circuit home again.

"This Survey, of course, is taken about the time the harvest is going to begin? — Yes; just when we consider the wheat ripe.

"Has the result of this Survey been such as to afford you satisfactory information for the guidance of your commercial speculations in corn? — We have been guided by it, though not always to the result we expected; but latterly it has been becoming more perfect; at the same time there are various contingencies that often disappoint any opinion connected with an article so extensively held, or otherwise, according to the spirit of speculation which may prevail.

"You consider the result of the Survey to be a material ingredient in forming your conclusions as to the state of the crop, and the probability of the country being in want, or not in want, of a foreign supply? — Certainly.

"And of the probable price of Corn in the year following the survey? — We do.

"Have you any objection to state to the Committee, upon any scale you may have formed, what has been the Comparative Productiveness of the crops of the last six years? — None whatever; the crop of 1815, according to the method explained, gave a result of 37 Winchester Bushels per Acre; 1816 gave 25·3; 1817 gave 33·4; 1818 gave 32·6; 1819 gave 27·7; and 1820 gave 37·3;* this is the quantity reduced to Win-

* This figure of 37·3 for 1820 was subsequently found to be erroneously deduced, and the correct figure for 1820 was fixed at 41·3.

chester Bushels, at Sixty Pounds a bushel, *but then it is supposing the whole surface of the acre to produce; we have not any accurate method of knowing what the real produce per acre is, but in making some attempt at a deduction, we have been rather led to believe it would not fall much short of a sixth, but that is estimated entirely;* the loss by hedges, the loss in harvesting, the loss in furrows and by vermin, the waste in machining; everything goes out of the quantity stated.

"You are of opinion, then, that in order to get at the produce actually brought to market, a deduction of not less than a sixth ought to be made from this acreable return?—I give it as a very vague estimate; the data we have had to go upon have been so uncertain; we had a very small quantity once tried, which made a deduction of about ten per cent.; but this I should myself think was quite under the mark.

"Of course you are aware that the losses some years are much greater than in others?—Unquestionably.

"You have now stated the quantities only, without reference to the quality or state in which the grain is harvested?—Certainly, I should state, that we have not weighed it wet; we have reduced it all to what we esteemed the same state of dryness.

"But still supposing these to be the quantities, all reduced to an equal state of dryness, the quality or fitness of the produce for converting into flour for the use of the population of this country, must vary materially?—Very materially, I should think.

"And that also must be a main consideration in your calculations?—That is always considered in our estimates; but these figures are free from all estimate.

"Can you state, with respect to those six years, those in which the grain has been considerably injured, and those in which the produce has been generally of a good quality?—That in 1815 was a very good crop, and we considered it above an average at the time, decidedly; in 1816 it was very much worse than the survey. I ought to mention with regard to 1815 and 1816, that our examinations were not so perfect as they have been in the four years since, especially 1816; for, from the condition in which it was received, we were so thoroughly satisfied of the deficiency, that we were rather inattentive, and did not weigh nearly the same number; we had gained our point in respect of information, and did not pursue it further; but it was very much worse than the survey; it was nearly rotten. In 1817 the quality was not very good.

"In 1818?—In 1818, according to my recollection, the quality was good; I do not perceive that I have made a re-

mark upon it; but I am satisfied, on recollection, it was very good. In 1819 it was very good; not so good as 1818.

"The last crop?—The last crop is not very good.

"Not so good in quality as in 1819?—No, nor nearly so good as 1818; there is a considerable mixture of mildew in the corn of 1820.

"It is generally sound and dry?—Yes; but not equally good with either of the preceding years.

"More mildewed than in 1819?—Yes, I think so.

"*Can you state the Average Acreable Produce of the six years of which you have given us the detail?—The Average Acreable Produce will be about Thirty-two.*

"You have stated that your survey, though less perfectly carried on, embraced a period of nine years?—It went back to the year 1809, embracing altogether a period of twelve years.

"Can you state, as far as your Survey was then established, what was the crop of 1813?—We discovered in the year 1814, that the person we had employed in 1813 had made a very gross mistake, which was to take the crown of the ridge, and to select the best ears; so that we reject it in our calculations; but we have every reason to believe it was the greatest crop we have ever known.

"When you say, you have every reason to believe it was the Greatest Crop you have ever known, you have other reasons for that opinion?—We have other reasons and general observation from the time that the grain of that season remained in considerable quantity in the market; I think two or three years afterwards.

"Your Survey not extending to Ireland and Scotland, have you any means of giving any information to the Committee as to the state of the crops of these two parts of the United Kingdom for the last two years?—No, nothing but inference; no survey.

"What is your impression?—My impression is, that the crop of Ireland in 1820 was good; it appeared to be the course of the crop last year to improve towards the west; and I think there has been a very considerable extension of cultivation in Ireland last year, for a reason I will give by and by.

"Do you consider the Crop of 1820, as far as ascertained by your survey, to be above an average crop?—Certainly.

"How much do you imagine above an average crop?—Upon the average of the six years which I have given, it would appear as about five in thirty-two, between a sixth and a seventh; but if we go further back, and include 1809, 1810, 1811, 1812, and 1814, rejecting 1813 on account of its being uncertain what the real figure was, applying the data of the square yard as actually taken for the last six years, it would

give a result for an average crop of thirty-four in place of thirty-two; of course, in estimating the crop of last year with reference to the acreable produce, it will depend on whether it is called thirty-two or thirty-four.

"Does it appear from the result of this survey that, taking the best year and the worst to which it applies, the fluctuation has been as much as a third?—Nearly."—*Agricultural (Commons) Committee*, 1821, page 263. *Evidence of David Hodgson, Esq., 12th April*, 1821.

Mr. Sandars also, when examined before the Agricultural (Commons) Committee of 1836, gave the following further details:—

"When you say that the result of your investigation with respect to the Growth of Wheat per Acre is Thirty-two Bushels, and that that is arrived at upon a survey, will you state how far that survey extended?—Generally to the whole country.

"In what way did you make that Survey?—Men are sent over the country, and they are provided with a machine that cannot err; by a movement made it embraces a certain space, the stalks in that space are counted, the number of grain is counted and then weighed.

"Is that Mr. Hodgson's plan?—Precisely the same; I was a party to that plan for many years.

"And the result of that survey is, that there is a greater produce per acre than there used to be?—I stated that the produce it showed was thirty-two bushels per acre, and it is a plan that by possibility cannot err; but then there is no allowance made for waste.

"Since when should you say there has been this great increase?—I think it was about the year 1823 or 1824, when I gave up any participation in the plan, and therefore my knowledge of the fact arose from the previous crops."

The statements here made by Mr. Hodgson and Mr. Sandars leave but little to be said in further explanation of the principles of the Survey. Of the precise details according to which it was carried on, it is unnecessary, and it would be improper to speak. It is quite sufficient for general purposes to be informed of the fact, that the authors of the Survey, and those who bore the heavy expense incurred by it, were perfectly satisfied that it pro-

cured for them as accurate a statistical statement as it was possible to frame of the Average Produce of Wheat per Acre in that part of England included in the Survey;—and by inference in the remaining part.

It is important, however, to refer to the explanation given by Mr. Hodgson of the deductions to which "the general average acreable produce of 32 Winchester Bushels*" ought to be subjected in order to reduce the Quantity given by the Survey to the Quantity Actually Grown.

It was found, it appears, to be the course least liable to error to regard the Acre, for the purposes of the Survey, as a mathematical figure, and to work out the results without any allowance for hedges, ditches, inferiority of growth at the margins and heads of furrows, and waste and loss by harvesting, vermin, and exposure. In short, every inch of a Mathematical Acre was supposed to be covered with a growth equal to the sample taken from a part of the acre most favourably situated. From such a result, of course, a considerable deduction must be made before we can arrive at the quantity of actual produce. Mr. Hodgson very properly hesitated to do more than suggest that perhaps the deduction from the 32 should be one-sixth: or say 5·3, leaving the actual produce 26·7 Bushels.

Now 26·7 bushels (of 60 lbs.) of wheat per statute acre as the average produce of England in the period 1815—1820 will be regarded, I dare say, by most persons, as very much beyond the truth. Mr. M'Culloch, for example, in the esti-

* Or more properly of 32 Bushels *each weighing* 60 *lbs. avoirdupois*; for the computation of quantity proceeded upon the *weight*, and not upon the *measure or bulk*, of the grain produced.

mates quoted in a former page (page 107. *ante*), entered the average acreable produce of wheat in England at 32 Bushels (4 quarters) in 1846: and reduced the entry to 30 Bushels ($3\frac{3}{4}$ quarters) in his amended figures of 1854; and in the first edition —that of 1837—of his "Statistics of the British Empire," the highest acreable produce assigned to any of the Counties (table, vol. i., page 482.) is 25 Bushels to Devonshire; 24 Bushels being the entry for Essex, Cambridge, Sussex, and some few others: and 21 Bushels the general average given for the whole of England and Wales; and the average weight of the bushel seems to be taken at $58\frac{1}{2}$ lbs., or $1\frac{1}{2}$ lbs. less than the weight employed in the Survey. Moreover, we have seen in the last Section, that the average annual produce of wheat per Imperial acre in Scotland in 1854, according to the official returns, was 28·8 Imperial Bushels.

I shall not attempt any explanation of the discrepancy between the Survey and these Estimates and Returns. I readily confess that a result of 26·7 Bushels, of 60 lbs. each, in the period 1815—1820, appears to me to be a large produce, and such a produce as I should not have been led to suppose, *à priori*. At the same time I am forcibly impressed by the consideration that, in contradiction of the figures of the Survey, we can bring nothing more substantial than estimates and suppositions. The only evidence really ascertained and settled by enquiry and experiment is in truth the statements of the Survey; and until these statements are overturned by evidence obtained in a similar manner, but more extensive, and entitled to greater credit, it appears to me that, however such a course may disturb previous theories, it is incumbent upon us to allow full influence to the ascertained facts.

With these reservations, I may now, without impropriety, introduce the following Table:—

LIVERPOOL SURVEYS, 1815–55.—*STATEMENT* (*col.* 2.) *of the* GROSS AVERAGE YIELD OF WHEAT *per* STATUTE ACRE *in Winchester Quarters, as ascertained by Actual Inspection in certain Parts of* ENGLAND; —*with collateral Columns of* PRICES, IMPORTS, *&c.*

1	2	3	4	5	6	7	8	9
Harvest of Year.	SURVEY Average Yield of Wheat per Acre in England.	Scale Above or Below Average of 10 Years.		HARVEST YEARS, (1st Aug. to 1st Aug.) Wheat and Wheat-meal, Imperial Quarters.		Price Above or Below Average of 10 Years.		Quarters entered for Home Consumption.
	Survey Scale.	Per Ct. —	Per Ct. +	1st Aug. to 1st Aug.	Average Price of Wheat.	Per Ct. —	Per Ct. +	
					£ s. d.			Qrs.
1815	37·	·	15·2	1815-16	3 3 1	5·3	·	116,000
'16	25·3	21·2	·	'16-17	4 17 10	·	47·3	225,000
'17	33·4	·	4·	'17-18	4 4 6	·	27·	1,053,000
'18	32·6	·	1·5	'18-19	3 18 5	·	18·	1,606,000
'19	27·7	13·7	·	'19-20	3 8 5	·	3·	124,000
'20	41·3	·	28·6	'20-21	2 17 -	14·3	·	34,000
'21	32·9	·	2·4	'21-22	2 10 5	24·1	·	·
'22	31·3	2·5	·	'22-23	2 6 4	30·3	·	·
'23	27·	15·9	·	'23-24	2 19 9	9·8	·	12,000
'24	30·9	3·8	·	'24-25	3 4 8	2·6	·	17,000
'25	33·7	·	5·3	'25-26	3 1 1	8·2	·	527,000
	32·1				3 6 6			3,714,000
								338,000
1826	33·2	·	3·1	1826-27	2 16 1	·	·	316,000
'27	33·2	·	3·1	'27-28	2 13 2	5·2	·	578,000
'28	25·6	21·5	·	'28-29	3 10 4	·	25·4	1,954,000
'29	27·7	14·	·	'29-30	3 3 9	·	13·9	548,000
'30	29·5	8·	·	'30-31	3 7 10	·	21·2	2,857,000
'31	29·	9·4	·	'31-32	3 1 3	·	9·2	157,000
'32	35·7	·	10·8	'32-33	2 14 5	2·9	·	329,000
'33	34·3	·	6·5	'33-34	2 9 9	11·1	·	77,000
'34	41·6	·	29·1	'34-35	2 1 5	26·1	·	45,000
'35	32·2	·	·	'35-36	2 2 8	23·8	·	27,000
	32·2				2 16 1			6,888,000
								688,000

1	2	3	4	5	6	7	8	9
Harvest of Year.	Survey Average Yield of Wheat per Acre in England.			Harvest Years, (1st Aug. to 1st Aug.) Wheat and Wheat-meal, Imperial Quarters.				
	Survey Scale.	Scale Above or Below Average of 10 Years.		1st Aug. to 1st Aug.	Average Price of Wheat.	Price Above or Below Average of 10 Years.		Quarters entered for Home Consumption.
		Per Ct.	Per Ct.		£ s. d.	Per Ct. —	Per Ct. +	Qrs.
1836	33·6	17·	.	1836-37	2 15 -	5·9	.	35,000
'37	33·2	18·9	.	'37-38	2 17 10	·7	.	246,000
'38	31·3	23·5	.	'38-39	3 11 8	.	22·9	3,560,000
'39	31·2	23·8	.	'39-40	3 8 -	.	16·4	1,762,000
'40	43·1	.	5·3	'40-41	3 3 6	.	8·9	1,925,000
'41	38·5	5·9	.	'41-42	3 3 4	.	8·5	2,985,000
'42	51·4	.	25·6	'42-43	2 9 4	15·5	.	2,405,000
'43	51·	.	24·6	'43-44	2 13 9	7·8	.	1,606,000
'44	51·5	.	25·9	'44-45	2 6 7	20·1	.	476,000
'45	44·1	.	7·8	'45-46	2 14 8	6·2	.	2,732,000
	40·9				2 18 4			17,732,000
								1,773,200
1846	41·8	8·6	.	1846-47	3 8 9	.	16·	2,797,000
'47	43·7	4·4	.	'47-48	3 7 7	.	14·7	3,183,000
'48	39·3	14·1	.	'48-49	2 12 5	11·5	.	5,295,000
'49	54·2	.	18·6	'49-50	2 8 -	20·8	.	4,258,000
'50	41·9	8·4	.	'50-51	2 - 7	45·	.	6,011,000
'51	47·2	.	3·2	'51-52	1 19 7	46·	.	3,796,000
'52	48·3	.	5·6	'52-53	2 3 8	32·	.	5,735,000
'53	37·4	18·2	.	'53-54	3 12 -	.	19·5	6,461,000
'54	57·9	.	26·7	'54-55	3 9 1	.	16·	2,868,000
'55	45·5	.	.	'55-56	3 15 -	.	22·7	3,236,000
	45·7				2 17 8			43,640,000
								4,364,000

NOTE.—Col. 2., which contains the figures of the Actual Survey, has been already explained.—Cols. 3. and 4. exhibit the exact Per Centage variations of the Scale of each year, as compared with the average of the period of ten or more years, and admit also of a ready statement of the degree of variation between any two years in the Table; for example, 1825 was 23·3 (28·6—5·3) per cent. below 1820.—Cols. 6. 7. and 8. give the Average Price of Wheat in England per Imperial quarter, and according to the Gazette returns during each subsequent HARVEST YEAR reckoned from 1st Aug. to 1st Aug. The Calendar Year would not exhibit the effect of each particular harvest with sufficient accuracy.—Cols. 7. and 8. are the same in construction and design as Cols. 3. and 4. already described.—Col. 9. gives the number of Quarters of Wheat entered for Home Consumption in the United Kingdom, also in each Harvest Year of 1st Aug. to 1st Aug., for all the years commencing with 1828; for the years 1815-27 the entries for the *Calendar* terms only could be obtained.—

The following indications of the general character of the Harvests of each of the years 1815 to 1855 will materially assist the reader:—

1815. Quality good.
'16. Very bad quality; nearly rotten.
'17. Quality not very good.
'18. Quality very good.
'19. Quality good, but not so good as 1818.
'20. Sound and dry, but not so good as 1818 and 1819.
'21. Very inferior; much injured by excessive wet weather in the harvesting.
'22. Very good; harvest remarkably early, and weather dry and warm.
'23. Inferior; wet harvest after a cold dry spring.
'24. Quality indifferent, but not so bad as 1823.
'25. Very good; fine dry summer and harvest weather.
'26. Harvest remarkably early, and the quality of the wheat excellent; fine dry summer.
'27. Quality various, but mostly inferior.
'28. Bad; part damaged by wet weather in harvesting, and part originally inferior.
'29. Bad; fully as much so as 1828.
'30. Quality various; some injured by wet and mildew, but not so much as the two preceding harvests.
'31. Very similar to that of 1830.
'32. Quality good.
'33. Quality very fine.
1834. Quality good, but hardly equal to 1833.
'35. Middling; injured from being extensively laid by heavy rains at the end of June.
'36. Quality good in England and Wales, and bad in Scotland.
'37. Middling.
'38. Bad.
'39. Bad.
'40. Middling; breadth of land much smaller.
'41. Very inferior.
'42. Very good.
'43. Various; better in Scotland and the north of England than in the southern division.
'44. Moderately good.
'45. Indifferent.
'46. Indifferent.
'47. The quality fair; some complaint of blight.
'48. Bad; worse in the south than in the north.
'49. Good.
'50. Indifferent.
'51. Good.
'52. Injured by wet in the south; better in the north.
'53. Very bad.
'54. Good throughout.
'55. Indifferent.

As regards the figure 27·7 given for the Harvest of 1819, I am strongly of opinion that it is open to modification in the way of addition. The unfavourable result it presents is at variance with the account I have given of the Harvest of 1819, in the second volume (II. p. 80.) of this work, where the crop is estimated as being a full average; and it is also at variance with the estimate indicated by Mr. Jacob by his figure of 250 in the Table already quoted (p. 103, *antè*) from his Official Report.

As concerns also the Harvest of 1852, I am led to entertain a strong opinion that the unfavourable

character of the weather during the harvest period in the southern part of the island, and the damage consequently sustained, would cause a very material falling off in the total produce, so as to render it on the whole a decidedly deficient crop, and much more deficient, relatively to other years, than is represented by the figures in the Table, 48·3.

In considering the preceding Table we must bear in mind the increase of the Population of Great Britain and Ireland.

The Census of 1801 gave the population of *Great Britain* as 10½ millions of persons. In 1811 the increase had been 14·2 per cent. in the ten years, raising the population to 12 millions. In 1821 the decennial increase was 17·6 per cent., and the result 14 millions. In 1831 the decennial increase was 15·5 per cent., and the population 16⅓ millions. In 1841 the per-centage was 14 per cent., and the population 18⅔ millions. And in 1851 the per-centage was 12 per cent., and the total population 21⅛ millions. So that as regards Great Britain there was in the thirty years, from 1821 to 1851; an increase of population from 14 millions to 21 millions, — or an increase equal, in general terms, to 50 per cent.

The population of *Ireland* was not officially ascertained till 1821. It was then 6¾ millions. In 1841 the result was 8¼ millions; but in 1851 no more than 6½ millions.

We shall be better able to consider the contents of the preceding Table, if we first reduce it into the outline form of the following Summary:—

LIVERPOOL SURVEYS, 1815–1855.—*SUMMARY OF RESULTS.*

Harvests of Years as under, (both incl.).	Average "Survey-Scale" of Period.	Average Annual		Years exhibiting MATERIAL Departures from the Average SCALE and Average PRICE of the Period.	
		Prices of Harvest Years.	Entries of Wheat for Home Use.	UNDER the Average *Scale.*	ABOVE the Average *Price.*
		£ s. d.	Qrs.		
1815–25 (11 yrs.)	32·1	3 6 6	338,000	1816, 1819, 1823.	1816–17, 1817–18, 1818–19.
1826–35 (10 yrs.)	32·2	2 16 1	688,000	1828, 1829.	1828–29, 1829–30, 1830–31.
1836–45 (10 yrs.)	40·9	2 18 4	1,773,000	1836, 1837, 1838, 1839.	1838–39, 1839–40, 1840–41.
1846–55 (10 yrs.)	45·7	2 17 8	4,364,000	1848, 1850, 1853.	1846–47, 1847–48, 1853–54, 1854–55, 1855–56.

The first observation which arises from a consideration of this Summary is, that, taken as a whole, the Favourable or Unfavourable nature of the figures of the Scale do correspond with that which experience showed to be the real character of the Crop; and in most cases there is a remarkable coincidence between the variations of the Scale, and the variations of the Average Annual Price of the Harvest Year. To this general conformity there are some important exceptions, but (allowing for the disturbing influence, till 1847, of the system of Corn Laws), no exceptions of a character which appears seriously to detract from the great value of the figures of the Survey as being substantially accurate indications of the Relative Productiveness of the wheat crops of successive years.

But there still remains the very remarkable circumstance of the Magnitude of the Average Produce per Acre as exhibited by the Survey.

I have already adverted to the Number 32, as assumed by Mr. Hodgson to represent the Gross Produce during the period 1815 to 1820. But it will be seen that that Number 32 became 40·9 in the period 1836 to 1845; and became 45·7 in the period 1846 to 1855; and as for the harvest of 1854, it stands at the very high figure of 57·9.

If we deduct one-sixth, according to the rule laid down, the remainder would be 48·2 bushels (of 60 lbs. each), as the net produce of the harvest of 1854 within the sphere of the Survey. I can only say that this is a result very much beyond any *à priori* supposition I should have formed; but depending, as the result does, upon actual observation, it must be received, subject to such corrections as may be drawn from more extensive and more elaborate enquiries. I am enabled to say that Mr. Sandars holds a very strong opinion in support of the accuracy of the Survey down to its latest date; and, without taking upon himself to assign any specific limit to the deductions necessary to be made, in order to arrive at the Net Produce, he has been led by his own long experience and observation to the firm conclusion that, during the last thirty years, the increase in England on the Average Acreable Produce of Wheat is very much greater than it is the habit to suppose; and can only be correctly represented by figures which, to most persons, would wear the appearance of extreme exaggeration.

But whatever may prove to be the correct version of the facts as regards the acreable produce, I entertain no doubt but that the Liverpool Surveys, which I have now the means of referring to, do present, perhaps, the best available evidence expressed in figures of the *Relative* Productiveness of the successive harvests from 1815 to 1855.

Mr. Sandars also has expressed to me his settled belief that the very large importation of Wheat and of other kinds of Corn, which took

place into this country from France, Belgium, and Russia, and from the United States, during the six or seven years immediately following the final repeal of our Corn Laws in 1846, arose in some considerable degree from the prevalence abroad of a strong opinion that the conversion of this country into a constant free market for Corn, would furnish them with a profitable outlet for whatever quantity of produce they could raise.

In two preceding Sections (Sections 9 and 10), I have discussed at some length the very remarkable circumstances connected with the large arrivals of Foreign Grain from 1846 to 1852; and if to the influence of productive seasons in the regions of the growth of that Foreign Grain be added the effect of the large and sudden addition to the area under cultivation, referred to by Mr. Sandars, and reported to him by correspondents, whom he cannot doubt, it must be considered that we have a very plausible and natural explanation of phenomena otherwise presenting several difficulties.

SECTION 18.

On the General Principles which may best regulate the Function of Government in providing Official Information relative to Agricultural Produce. — The alleged Deficiency of Agricultural, as compared with Commercial, Statistics.

In a note at the bottom of the page* an ex-

* To the end of Section 17 (page 133 *supra*) the MS. was completed and put into type by the end of June, 1855. It then became clear, on several grounds, that it would not be desirable

planation is given of the circumstances which have occasioned some difference of date between the Sections preceding the present, and the remainder of the Work.

In the interval several events have occurred in connection with this division of the Work which it appears to me may well justify a further discussion, even at some length, of certain of the general questions relating to the Corn Trade already alluded to in former sections.

The recurrence of high prices of Corn — the progress and termination of a state of War — and the introduction into Parliament of novel views of the power of the State to regulate the course of markets by official information connected with agricultural produce: — have revived or suggested many important questions relative to the causes which, in the absence of all monopoly and in perfectly open markets, determine an equitable or just Equilibrium of the Price of Raw Produce, such as Corn, as between producers and consumers.

The discussions on the Bill for obtaining Agricultural Statistics introduced by Lord Palmerston's Government during the present sesson (1856), in the first instance through the medium of the President of the Board of Trade (Lord Stanley of Alderley) into the House of Lords; and then brought into the Commons by the Vice-President of the same Department (Mr. Lowe);—have given

(even if it had been possible, which, from a variety of circumstances it was not) to complete the Work at the time originally intended, namely, the end of 1855. It was desirable that the further experience should be awaited of the course of political events in relation to the question of war or peace; and that by the lapse of some months the issue of the highly exceptional state of trade, not only in this country, but over the whole of Europe, in America, and Australia, should be seen. In conjunction, therefore, with my coadjutor, Mr. Newmarch, the completion of the work was postponed to 1856, and the printing is now (July 1856) resumed.

an authoritative form to many opinions which are calculated to exercise much more than a temporary influence. I am persuaded that the grounds of many of those opinions are fallacious, and fertile of inferences and applications of injurious tendency. I have already said, and I now repeat, that I am entirely in favour of any reasonable scheme for adding to the fund of authentic information on the subject of the agriculture of the country. Such information — as in the case of the Census — cannot but be of great interest and value in a public point of view. But it is precisely because the call for Agricultural Statistics is not placed on the same footing as the call for the Census, that mistakes and disappointment will arise. A large and intelligent party have fallen into the serious error, of expecting information in the nature of a Census to operate on Current Prices; and it is this notion, and the long train of distorted inferences of which it is the foundation, that I think it important to examine.

In the course, therefore, of the present, and of the following sections, I shall resume the consideration of the general problems relating to the Price of Corn and Raw Produce already referred to in the thirteenth and fourteenth Sections of this Part.

When the remarks which I had occasion to make in a former section (pp. 81–90, *ante*), were written, early in 1855, some progress had been made in the collection of Agricultural Statistics under the authority of Government; and reports had been published on the Statistics of Ireland and Scotland, and of Norfolk and Hampshire: and it was then confidently expected that the endeavour to collect similar information throughout England and Wales would be equally successful. But this expectation has not been realised. The Poor Law Inspectors in England and Wales, who were charged

with the collection of the desired information, found so much reluctance and resistance on the part of many of the farmers as to render it impossible to obtain the required returns on the voluntary principle. They reported accordingly the hopelessness of the attempt, unless it were made compulsory by law on the farmers to furnish the information.

The Government, therefore, considering itself pledged to Parliament and the public, in whose view great importance was attached to the purposes for which the statistics were desired, brought before the legislature a measure intended to effect the object.

This measure was introduced into the House of Lords, in March, 1856; and after some opposition, was carried through its third reading. The Bill reached the Commons on the 10th April (1856), and there encountered formidable opposition. The second reading was postponed from time to time, and at length, on the 20th June, Lord Palmerston announced that his Government had abandoned all hope of carrying the Bill during the then current session.

The measure itself was framed so as to apply to England and Wales only; and proceeded on the plan of making the assessment of land to the Poor Rate the basis of the returns required. Prior to each 1st February all Overseers were to send to the Poor Law Board copies of the Poor Rate Schedule then in force in their several parishes. By the aid of these copies the Poor Law Board were to employ competent persons to "distribute, collect, and "receive," as regards all occupiers of land of more than two acres in extent, a certain return of the quantity of land under different kinds of crop; and of the quantity of different kinds of Live Stock.*

* The Return as Scheduled in the Bill required a tabular statement of the quantity of Land under *fourteen* different kinds of grain or root crops, viz. Wheat, Barley, Oats, Rye, Beans,

The Collectors were to make an "Estimate of the "average rate of produce per statute acre of any "of the crops" in the return. The Poor Law Board were to arrange the returns in Counties; and the Board of Trade were to accomplish the publication of an abstract of the returns before each 1st September. Penalties of 5*l.* were imposed on offending overseers, and of 2*l.* on offending occupiers; and compulsory powers were given to Collectors to obtain the desired information in cases of refusal by the occupier.

Such were the outlines of the plan by which it was proposed to obtain compulsory annual agricultural statistics in England and Wales. It will be seen that the real information sought was limited to a statement of the quantity of land each year under different kinds of culture, and of the quantity of live stock. The Collectors were to make "Estimates" of the produce per acre.

It is probable, that if, in the first instance, the promoters of the scheme had asked only for the quantity of land under Tillage and in Pasture (which alone were of importance), and had done so quietly and without exciting in the minds of the farmers the idea of a troublesome, vexatious and alarming inquisition, they would have succeeded. It is exceedingly desirable that the breadth and species of Culture should be ascertained; and means will probably be found of accomplishing that object. But the "Estimates" of Produce proposed by the Bill could scarcely be expected to answer any useful purpose.

Peas, Vetches, Turnips, Mangold, Carrots, Potatoes, Hops, Other Crops, and Bare Fallow; further, of the quantity of Land under *four* kinds of grass culture, viz. Clover, Lucerne, and other artificial grasses; Pasture; Irrigated Meadows; Sheep Walks, and Downs; and lastly, of the quantity of *eight* kinds of Live Stock, viz. Horses of all kinds of two years old and above, Horses under two years old, Milch Cows, Calves and other Cattle, Sheep, Lambs and Swine.

We may now turn to the general discussions arising out of the measure.

In moving the second reading of the Bill in the House of Lords, on 11th March, 1856, Lord Stanley (of Alderley) said, —

"He thought it unnecessary to point out the importance of obtaining general Statistics upon the subject of Agriculture, in order to arrive at a knowledge of the progress of the country; nor need he dwell upon the benefits derivable by the community at large, from having it in their power to determine upon something like secure and certain grounds as to the result of each year's harvest. No class, however, in his belief, would be so much benefited by the publication of Agricultural Statistics as the farmers themselves. If it was of importance to the dealers in Cotton and Wool and other commodities to be possessed of the knowledge of the quantities of such articles which already existed, or which were likely to be introduced into the market, and available for the consumption of the ensuing year; it must be equally so to the Agriculturist, who, if he possessed such information, would know whether it was prudent to sell or to buy, in proportion as he was informed of the probable supply which would be forthcoming. The Cotton Manufacturer takes the greatest pains to procure accurate returns of the produce of the cotton crops in each year, and the information so obtained regulates his proceedings in his purchases and sales. It must be obvious, indeed, that to every one who has to buy or sell, the information of the quantity and quality of the article in which he deals, which is likely to come into the market in the ensuing year, must be a matter of the greatest importance. To a certain extent this information is attempted to be obtained, though inaccurately, by the great Corn Dealers; and it is hoped, if these statistics are procured, this information will be obtained with accuracy, and published to the world so as to put the Farmer on an equality with the Corn Dealer, and not leave him the victim of his ignorance."

Of the importance of Agricultural Statistics in a general point of view, I have already expressed my strong conviction, and so far, therefore, I have the advantage of entirely agreeing with the noble Lord. But I have not that advantage as regards the belief he expresses of the benefit to be derived by the farmers from the publication of such statistics. The

principal grounds of my dissent have been stated in former sections.

But Lord Stanley (of Alderley) expresses an opinion that the farmers of this country are at a disadvantage compared with the dealers in Cotton and Wool and other Commodities, as to whom it is to be inferred from the above passage of his speech, that those dealers have more accurate information supplied to them by the Government than is supplied to the farmers. An opinion to the same effect has been expressed, although not so recently, by another noble Lord, in terms still more precise, as to the grounds on which the farmers are entitled to claim from the Government, the same kind of information for the benefit of the agricultural interests, as is asserted to be given to other branches of industry by statistics published by Government. In a letter addressed by Lord Ashburton to the Statistical Committee of the Alresford Union, and inserted in Sir John Walsham's Report in 1854 on the Statistics of Norfolk, are the following passages: —

"It appears to me that the wonder is, not that the Government should now endeavour to collect Agricultural Statistics, but that it should never have sought to do so before. It has now for many consecutive years spent large sums in order to collect, digest, and publish the statistics of Trade, Shipping, and Manufactures, for the good of the merchants, shipowners, and manufacturers. Why should not some little money have been spared to do as much for us? Is it consistent with common sense that every month the public should have paraded before their eyes, and canvassed in the newspapers, the tons of shipping and the pounds of cotton which have entered or quitted our ports, and that no intimation should be given from year's end to year's end of the food prepared and preparing for a people's subsistence? Is our industry so unimportant, or capital so minute, that no note should be taken of its condition?

"There is a further consideration which should operate on our judgments. Not only does the farmer suffer for want of statistics in his contest for price with the great dealer on the Corn Exchange, but he suffers also from the same want in his

contest for consideration and political power with other classes on the great stage of life. I have no doubt in my own mind but that the capital we employ, and the produce we raise, exceed in value all the capitals and all the produce besides raised in this great manufacturing country; but I have no figures to appeal to — I can speak only from conjecture. When, therefore, next year, or when at any future time, it is proposed to make a new apportionment of power according to the importance and magnitude of the several industries, our claims will be most assuredly underrated."

These opinions proceed on a palpably mistaken view of the origin and objects of the collection and publication by Government of the Statistics of Commerce and Shipping. The collection of such statistics was in its origin *not* with any view to communicate information to merchants, and manufacturers, and shipowners, *but* for the purposes of the revenue derived from the Customs; and formerly these statistics were published only when ordered by Parliament on the occasion of debates in which the state and progress of the trade and navigation of the country came under consideration. It was not, if I recollect rightly, till the comparatively modern establishment of the Statistical Department of the Board of Trade under the late lamented Mr. Porter that periodical statements of imports and exports, and of tonnage, have been issued by the Government for the information of the public; and it has been the practice of late years for the daily and other newspapers to insert the more prominent of the features of the official statements.*

But the statistics thus published do not afford information of a different kind, or of more value as

* Although the original purpose for which these statistics were collected by the Customs was in connection with the Revenue levied on the articles in question, the returns of the imports and exports are still made by the Customs, notwithstanding that no import duty is any longer levied upon them.

a guide, to the Manufacturers or Merchants, than that which is supplied to the Farmers and Millers. The imports and exports of Corn are given as fully as those of Cotton; and the Manufacturers, not only of Cotton but of Wool and of Flax, and indeed of all other raw materials, are no better informed of the quantities of those articles produced than are the Farmers and Millers of the quantities of Corn grown at home and abroad. The manufacturers of Cotton, and of Flax, and Hemp, and Wool, are as much exposed to suffer from fluctuation in the value of the raw material by vicissitudes of the seasons, and by difference in the extent of cultivation, and by casualties of various kinds affecting the production, as are the farmers in the case of Corn; and there are no statistics supplied by Government relating to the production of Iron. The statistics of Tonnage are collected by the Customs for the purposes of registration and regulation, and not with any view to benefit the shipowners as a guide in their business. Nor indeed can it be said that the shipowners are in any way guided in their business by such statistics, for it is not possible to conceive that a single Vessel, more or less, has ever been, or will be, built in consequence of the information so supplied. I should hardly have thought this mistaken impression worth notice, were it not that it has been entertained, and made a distinct ground of claim on Government for Agricultural Statistics by parties — such as those I have named — entitled to great consideration.

SECTION 19.

The same Subject Continued. — Erroneous Notion of the Facts relative to the Harvest of 1846. *— And erroneous Inferences drawn by High Authorities from those Facts.*

The President of the Board of Trade, in continuation of his speech on the second reading of the Bill, went on to say,—

"He would read the observations of Mr. Hoskyns, "a most intelligent gentleman, which appeared in "the Journal of the Royal Agricultural Society. "That gentleman, who thoroughly understood the "question, wrote,—

"It is not quite ten years ago since a circumstance occurred in the Corn Trade of this country calculated to awaken even the most unobservant to this question. No Mark Lane prophet had foretold it; nor can it be said that any of that more abundant mental element in all communities—the faculty of after-wisdom—essayed to turn it to much account. Yet if such an event had happened in the Iron trade, or in the Cotton market of Liverpool or Manchester, we will hazard the assertion that it would not have been suffered to pass by as a mere phenomenon of the year without being improved to future use. It was this:—During the six weeks immediately following the harvest of the year 1846, from the middle of August to the end of September, the average price of wheat was 48*s.* 2*d.*, the lowest point touched being 45*s.* 1*d.* After some improvement in the following month it fell again by the end of November to 50*s.*, by which time most of that large, but we hope not increasing, class, who thresh out this year's corn to pay last half-year's rent,—that class whom the Mark Lane phraseology cruelly distinguishes as 'needy sellers,'—the same class (for so unhappily it ever is) who 'cannot see what good Agricultural Statistics are to do,' had turned their little stock into cash, and the cash over to their landlords. The year had no sooner died out than the symptoms of a scarcity began to manifest themselves, which in the course of six months brought the price of wheat, the produce of that same harvest (and in spite of an importation of upwards of Four and

a half Million quarters of Wheat alone), to the extraordinary price of 102*s.* 5*d.* per quarter.

"Here was a prominent and melancholy instance of that law, so quaintly expressed in the adage, that tells us 'the weakest go to the wall.' Taking the actual value of the whole wheat crop of that year as fairly, at any rate approximately, indicated in the sum of the weekly averages of the Gazette from harvest to harvest, the small farmer who came early into market with his crop lost about 27*s.* on every quarter of wheat sold—a sum which, at the rate of four quarters to the acre, exceeded the whole cost of the fallow. Supposing his odd mark of wheat about 20 acres, his rent about 200*l.* a year, he sacrificed the full amount of the half-year's rent he was selling to meet. This is paying at a dear rate for the enjoyment of that kind of gambling which subsists solely upon ignorance, but which would, like a bet, lose even the element of fairness—would be not even justifiable—if certain existing facts were known, which might be known, and which it is hoped soon will be known, equally to rich and poor, equally to the rich and small farmer. It is to the latter, the man who cannot afford to wait the turns of the market, that the statistical estimate of the coming prices of the year, based not upon guess-work, but upon the ascertained facts of the harvest, would be most pre-eminently serviceable. The loss, even of a few shillings a quarter, when examined and duly multiplied, is a far more serious loss than meets the ear."

The noble Lord, after reading the foregoing passage to the House, added,—

"These remarks were so just, so true, and so "conclusive of the advantage of this kind of in- "formation, that he hoped he should hear no more "of the injury done to the farmer by the interven- "tion of a Bill like the present."

I have been induced to insert the passage thus quoted from Mr. Hoskyns's paper, because the writer of it is, I understand, and as indeed must be inferred from the reference made to him by the President of the Board of Trade, considered to be a high authority on agricultural subjects, and I deem it not right that a statement so incorrect in matter of fact, and so fallacious in reasoning, should go forth without an exposure as far as is in my power of the wholly erroneous view which it presents.

The error in the statement of facts, and the

fallacy in the reasoning founded on them, in the passage above quoted, will be manifest to the reader, if he will take the trouble of looking back to pages 92 to 95, *antè*, which were written a year ago.* And I will now only add a remark or two on the manner in which Mr. Hoskyns has dealt with facts, in the case of the rise of prices following the harvest of 1846, so as to make it suit the purpose of his argument.

Starting from 45*s.* 1*d.*, which was the weekly average on the 15th August, the average of six weeks to *the end* of September is said to have been 48*s.* 2*d.*; but this average of six weeks from the 15th August extends only to the 19th September, on which day the weekly average had advanced to 51*s.* 3*d.*; and on the 26th September it advanced further to 53*s.* 1*d.* Taking, therefore, the prices of six weeks so as to *ex*clude the 15th August, and to *in*clude the 26th September, the average comes out to be 49*s.* 4*d.* instead of 48*s.* 2*d.*; but thus taking the average of six weeks does not give a correct view of the advance at the close of September, which was a rise of no less than 8*s.* above the price in the middle of August. And the weekly average on the 3rd October was 54*s.*, which includes sales in the last days of September.

The statement even thus far is incorrect enough, but the inaccuracy sinks into insignificance when compared with what follows, namely: "After some "improvement in the following month, it fell again "by the end of November to 50*s.*" Now how stand the facts of the case? Prices advanced rapidly in October; the weekly average on the 31st of that month having reached 61*s.* 9*d.*, and on the 7th November it had risen to 62*s.* 3*d.*, being a rise altogether of no less than 17*s.* 2*d.* upon the weekly average of the 15th August. After the first week

* See also History of Prices, iv. 32—34.

of November there was a lull in the markets in consequence chiefly of a notification from the French Government to which I have before alluded, to the effect that no sufficient ground for alarm existed. Prices then experienced a trifling decline of about 3*s.*, but rallied again to 61*s.* 6*d.* in the week ending 26th December, and reached 64*s.* 4*d.* in the week ending 2nd January, 1847. The average for the month of November was 60*s.* 7*d.*, while the average for the month of December, (1846,) was 60*s.* 3*d.**

How then can Mr. Hoskyns be justified in asserting as he does that the price fell by the end of November to 50*s.*?

But if the question of a probable range of prices after the close of 1846 had depended upon the mere deficiency of the Wheat Crop, it is very doubtful whether, with the foreign supplies forthcoming, there would have been any ground for an advance beyond 60*s.*† The subsequent rise from Janu-

* Statistical Abstract from Board of Trade for 1855, p. 30.

† In corroboration of this view I would refer to the case of the Crop of 1848. There can be no doubt that it was more deficient in yield than the crop of 1846; and there is no reason to suppose that there was a larger breadth sown in the autumn of 1847 than had been sown in the autumn of 1845. Under the strong impression accordingly on the minds both of farmers and millers, that the wet and unsettled weather which prevailed during the progress of the harvest (see p. 9. *antè*) were causing serious injury to the crops, the price advanced to 56*s.* 10*d.* in the week ending on the 9th of September, 1848. Now, if at that time the Corn Law of 1828 had remained in force, so that no foreign supply could have been admitted to entry for home consumption to any extent till the price had reached 70*s.* or upwards; or, still more, if in the autumn of 1848, France, Belgium, Germany, and Italy had been competitors with this country in drawing foreign supplies away from us instead of contributing, as they did, to swell the amount of our imports, which arrested and overpowered the tendency to a rise of the markets here;— there can be no doubt but that prices would have been as high in the winter following the harvest of 1848 as they were in the winter fol-

ary till the end of April, when the weekly average reached 77*s.*, was mainly owing to alarm in France and Belgium, communicated to the markets here (see p. 93.); but also to the effects of the Potato rot, and consequent famine in Ireland, and to the extra demand, actual and apprehended, thence arising upon Wheat, not only in the United Kingdom, but over a great part of the Continent of Europe. Of the probable extent of such extra demand no previous experience could serve as a sufficient guide, and there was, therefore, scope for the greatest exaggeration. At the same time the rise thus far might not seem to be much beyond the occasion; and if it had stopped there the ground would have been wanting for the declamatory harangues upon the state of prices in 1846–47, which have been adduced in proof of the injury sustained by the farmers from the want of Agricultural Statistics.

The advance between the middle of April and the end of May, 1847, was in great part the effect of apprehensions entertained of the state of the growing crops, both in this country and on the Continent of Europe. And the advices from France and Germany were of the most alarming character, both as to actual scarcity and the unfavourable aspect of the coming harvest.*

lowing the harvest of 1846. And the farmers who were under the necessity of bringing their corn of the crop of 1848 to market, as soon as it could be threshed out, would have made worse sales than if they could have held on for some months longer. But *as it was* the smaller and more necessitous farmers got much better prices than the wealthier farmers who held their crops into the winter and spring of 1849.

* The Economist of 8th May, 1847, says of the Corn Market:—"On Monday the price of Wheat advanced in Mark Lane 5*s.* to 6*s.* per qr. on the price of the preceding Monday, and since that day the price has advanced further 5*s.* to 6*s.* per qr. The advance in the two weeks cannot be called less than 12*s.* the qr. Fine White Wheat sold to-day at 105*s.* the qr. and average runs of Kent and Essex Wheats at about 100*s.* per qr.

It is the further advance to 102*s.* 5*d.* which has served as a ground to Mr. Hoskyns for computing that the loss sustained by the small farmer who came early to market with his crop was no less than 27*s.* on every quarter of wheat he sold! And he goes on to say, after a good deal of rhetorical flourish, that "it is to the poor farmer — the man "who cannot afford to wait the turns of the market "— that the *statistical estimate of the coming prices* "*of the year*, based not upon guesswork, but upon "the ascertained *facts* of the harvest, would be "most pre-eminently serviceable."

Now I verily believe that the small and needy farmers who of necessity sold their Wheat as fast as they could thresh it out in October and November, 1846, at about 60*s.*; made better sales than many of the larger and wealthier farmers who, having refused to sell during the rising prices in April and May, 1847, resisted the subsequent fall, and did not eventually perhaps realise so much as 50*s.* for their Wheat, after holding it for twelve months or upwards. And yet the wealthier farmers who thus overstood their market, and the speculators who were ruined by the fall, were among the persons best informed of the facts relating to the harvest in this country. It was not, as the above statement by Mr. Hoskyns would lead the reader to suppose, any *sudden discovery* of scarcity in the produce of the Wheat crop in this country, that led to the advance of prices after December, 1846. On the contrary, there was every reason from experience of the yield of that crop, as

The supplies during the week have been so small as to create the most gloomy apprehensions, and the attendance of country millers from a distance, both here and in Liverpool, gives increasing evidence of the exhaustion of local stocks. From the Continent too the accounts of the scarcity of Grain are becoming appalling, and especially from parts of Germany. From Holland the accounts advise a great activity in the Grain markets, and an intense demand which cannot be satisfied."

tested by the threshing out, to believe that the estimates formed of it at the close of the harvest were in the main tolerably correct; and, as I have before observed, there would not have been, as far as regarded only the relative produce of the harvest in this country, with the forthcoming supplies from abroad, any ground for an advance beyond 60*s*.

Such being the facts of the case, how is it possible to imagine that it would, or could, have been within the competence of Government to have given "a statistical estimate of coming prices based "upon the ascertained facts of the harvest?" The supposition of such a statistical estimate as a guide to coming prices in a case like that of 1846–7, is a sheer absurdity. And yet, absurd as it is, it has been put forward as a weighty and decisive argument in favour of Agricultural Statistics, as manifestly a measure of justice due by Government to the farmers.*

* It may perhaps be thought that I have dwelt at greater length upon this topic than it is worth. But it is to be borne in mind that the rise in the price of Wheat in 1846–7, has been the prominent feature in all discussions on questions connected with the Corn Trade within the last ten years; and has given rise to every sort of misapprehension and misrepresentation, both as to the facts themselves, of the prices, the time of their occurrence, and their causes and consequences; as also to the most fallacious inferences drawn from the assumed facts, in various points of view. The illustrations from the fluctuations at that period figure in statements comparing the prices since the repeal of the Corn Laws with the prices for a corresponding period before 1847, with a view to serve the double purpose of showing; (1) that the range of fluctuation has been greater, and the average prices have been higher under a free trade, than they were under the sliding scale; and (2), of proving the gross mistake of the free traders in holding out the promise of lower and steadier prices, as a consequence of the alteration of the Corn Law in 1846.—A reference, also, to that period has formed the ground for all the arguments urged at the meeting at the Society of Arts in 1854, which I have before referred to; as also, on all subsequent occasions, and on the occasion especially, as I have here shown, of bringing the Bill into parliament for Agricultural Statistics.

SECTION 20.

The Same Subject continued. — Erroneous Views as to the real Functions of the Intermediate Dealers between the Growers and Consumers of Corn in this Country.

Among the reasons stated by the President of the Board of Trade, and by Lord Ashburton, in favour of the claim for Agricultural Statistics, it is urged that the information thus published will not only place the Farming Interests generally in a better position than they now are in relatively to other branches of industry, but "that it will put "the farmer on an equality with the corn-dealer, "and not leave him the victim of his ignorance;" — or, as Lord Ashburton says, "would place the "small farmer upon an equality with the great "dealer on the Corn Exchange."

Now this notion of the great dealer to whom the small farmer is sacrificed, is a mere phantom. There is no such occupation as that of Corn-Dealers here implied, who are supposed to obtain the earliest information of the state of the crops, and by such priority to be able to speculate in large quantities of home-grown corn before the farmers could be aware of the facts; and so to intercept the advantage which the latter might have derived if they had not been so anticipated by those who possessed such priority of information. This supposition proceeds upon a totally mistaken view of the nature of the Corn Trade. Corn Dealers are confounded with Speculators in Corn. The business of corn dealers, as it is commonly understood, is that of buying Corn and Meal from the farmers and millers in the agricul-

tural districts; with a view to re-sale in the principal markets, when the prices may happen to be so much higher as to offer a profit on the transaction. It is properly the business of distribution; and the persons engaged in it may be variously designated, according to local habits, as corn dealers, or corn merchants, or brokers, or shipping agents; their remuneration consisting in a difference of price, or in a commission on the transaction; the competition, in either case, tending to reduce the remuneration to a minimum. The operations of buyers of this class have mainly for their object and effect to equalise prices among the markets throughout the country; and there is no reason whatever for supposing that these dealers have any advantage over the farmers, in point either of priority or accuracy of information respecting the state or propects of the harvest. The *great dealers*, of whom the farmers are asserted to be the victims, from the want of the information to be imparted by Agricultural Statistics, must be supposed to buy home-grown corn on a large scale, with a view to a great eventual advance in the price. But buyers of this class are most commonly designated as Speculators, and their purchases are said, or understood to be, on speculation.

Now speculative purchases of this kind are, as I have before had occasion to observe, very rarely directed to Home-grown Corn. They are almost entirely confined to Foreign Corn.

It is chiefly with reference to the trade in Foreign Corn that importance attaches to information as to the result of the Home Harvest; and to the correctness of the opinion of the probable course of prices founded upon that information. And if any operations are entered into in consequence of such information, they are either in the way of sending orders for purchases abroad; or of making purchases of floating foreign cargoes. Accordingly, it is to

Importing Merchants, and to the agents of foreign shipping houses in this country, and to correspondents of their own abroad, that the earliest communications are made. But there is little of priority of information conveyed by these communications; nor do the farmers, great or small, stand in need of such priority. So great is the activity and intelligence of all classes concerned in the Corn Trade; so minute and so extensive the observation directed to the state of the growing crops; and so systematic and rapid is the interchange of the information derived from those observations, by the circulars of factors, by the correspondents of the country newspapers, and of such especially of the weekly and other periodical publications as are devoted to agricultural topics; that there is hardly, I imagine, a farmer in the kingdom, however uneducated, who does not collect in some way or other, by discussions at market tables, or in the talk of the neighbourhood, the weekly reports from one or other of those sources, and the comments upon them.

The consequence of this diligent examination and the rapid diffusion of intelligence of the results is, that any very marked features, indicating abundance or deficiency, become matters of notoriety; and are so near an approach to the truth, that in most instances, as far as I have observed, the reports and reviews in such publications as the weekly "Mark Lane Express" and the "Farmers' Magazine," have been in essentials confirmed by experience. This remark is strongly exemplified in the case of the Crops of 1853 and 1854. The great deficiency of the former, and the exuberance of the latter, were matter of notoriety some time before the close of the harvest in each of those years; and it is utterly impossible to conceive how any statistics collected and published by the Government could have imparted any knowledge of

facts beyond that already long before possessed by the public.

If this view of the extensive diffusion of information respecting the state and prospects of the harvests, and of the general trustworthiness of the reports and reviews of the Corn Trade in the Agricultural Journals, be correct, as I am persuaded that it is; it will serve as an answer to the supposition of the President of the Board of Trade, and of Lord Ashburton, that without statistics published by Government, the farmer is not on an equality with the corn dealer; and that the former is left to be the victim of his ignorance. It may serve, too, as an answer to a remark of Lord Grey in the Committee on the Bill in the House of Lords, on the 4th April, "that accurate statistics were of extreme "value to the farmer, for in their absence false in-"formation as to the produce of the country might "be circulated by speculators to the injury of the "interests of the farmer;" for I will venture to say that it would be difficult, if not impossible, for any one entertaining this opinion to point out a single instance in which there could be any reasonable ground for supposing, or even in the slightest degree suspecting, that the Corn Markets had been unduly influenced by information, as to the produce of this country, which by the event was proved to have been false.*

It may perhaps be deemed hardly fair thus to

* If it be contended, as it has been, that the information regarding the probable wants of the country, and the state, and prospects, and results of the harvest, is collected and circulated by interested parties, and that the information is *therefore* not to be relied on; the answer is, that all the collectors are interested in ascertaining, as nearly as may be, the truth; and that if, in their circulars, any of them, at the instigation of speculators, or as speculators themselves, were to give a decidedly false statement of facts, they would gain nothing by the attempt, because there would be sufficient of interest in an opposite direction, to detect, and expose, and counteract the attempted deception.

criticise the opinions of these eminent persons on a subject with which, in their position, they cannot be supposed to be practically conversant. But the opinions so expressed relate to an important part of the grounds laid by them, as legislators, for the enactment of a measure of very extensive application; and therefore the arguments adduced by them in support of the measure, those arguments bearing especially on the question of prices which it is the object of this work to elucidate, are fairly open to comment. Their errors, however, of fact and reasoning are more excusable from their want of practical acquaintance with the subject than are the errors of Mr. Hoskyns and Mr. Caird, who are practical farmers, and who are referred to as authorities.

But in denying, as I do most emphatically, that any statistics, which it may be in the power of Government to collect and publish, beyond the custom-house reports of imports and exports, would be likely to have the effect expected from them, of regulating, in a manner beneficial to the farmers or the public, the course of Markets; I would guard myself against the supposition of my being disposed to call in question the general proposition, that it is desirable for farmers, as it is for merchants and shipowners, and, indeed, for all persons engaged in business, to obtain all the information of facts that can be brought to bear upon their respective occupations. All that I maintain is, that the Statistics of Agriculture, sought by the Bill lately before parliament, are not likely to afford such information as can be of any practical use to the farmer, as a guide and protection to him, in the way supposed by the promoters of the measure.

SECTION 21.

The Same Subject Continued.—The alleged Example of Foreign Countries.—M. Coquelin's Account of the True Purpose of the Cadastre in France.

If Agricultural Statistics, annually collected and published by Government, would insure greater steadiness in the Corn Markets, and enable the farmers to get better or more equable prices; or what would be of more importance in an opposite direction, *if it would secure to the consumers of bread a lower average price for their loaf;* then doubtless an annual collection and publication of such Statistics would be infinitely desirable.

Believing, however, as I do, for the reasons which have been stated, that the information so conveyed could have no such practical effect, there remains a consideration of the only other ground for the claim on Government for the collection and publication of such information.

The claim rests, in my opinion, entirely and exclusively on grounds which are strictly analogous, although of vastly less importance, to those on which the Census of the Population is collected and published. And if this be admitted, there seems to be no sufficient reason why the publication of the Statistics of Agriculture should be more frequent than that of the statistics of the population, with the several particulars included in the decennial return.

This was the view taken of the value of Agricultural Statistics at the Statistical Congress held at Brussels three years ago.

Mr. Leone Levi was examined by the Select Committee of the House of Lords on Agricultural Statistics on the 28th June, 1855; and it appears from his evidence of what passed at the Statistical

Congress held in Brussels, in August, 1853, that the Agricultural Statistics collected by Foreign Governments have *not* in view the purposes for which such statistics are proposed in this country, namely, *to regulate the Markets.*

I quote the Evidence:—

"Have you paid considerable attention to the question of Agricultural Statistics?—I have.

"I believe you attended the Statistical Congress at Brussels two years ago, which took that question into its consideration?—Yes.

"Will you just state the results, as far as you were witness to them, of what passed upon that subject?—It appeared from the evidence given by various deputies, that the several states represented had no estimates of produce before harvest. Where they collect Agricultural Statistics, they are estimates of real produce, and collected at periodical intervals, say every five or ten years. The Congress did not deal with the question of obtaining estimates so as *to regulate the markets as we have in view in England;* they dealt with it as a pure scientific research, in order to obtain the statistics of the resources of countries. The specific recommendations of the Congress were as follows: That as to time, the Agricultural Statistics should be taken in the last quarter of the year; that they should be taken periodically, simultaneously with the census of the population, perhaps every ten years; and that they should comprise information as to the condition, proceeds, and results of the agricultural industry of the country. Those were the recommendations of the Statistical Congress, and they did not go further. As to the mode by which such statistics are collected in foreign countries, it appears that in France,—after several efforts made by the National Assembly, who had charged Lavoisier with assessing the Land Tax; by Lagrange, two years after; by Napoleon, who issued in 1816 a commission, which proved also unsuccessful; and then by the Bourbons, who issued another commission in 1814,—the Government took it up in 1836, and by means of the prefects and sub-prefects of all the departments, they were able to obtain the necessary Statistics of Agriculture. I believe that the Prefects also give some early annual estimate of the produce, showing what are likely to be the wants of France for the year; but those circulars of annual yield are functions beyond those which are primarily required of them.*

* Such annual estimates as are here supposed to be transmitted by the Prefects to the French Government, can be only of a mere conjectural character. It is not pretended that they

"At what periods are those extra reports of the Prefects made?—I am not quite certain about that.

"Those would be the only returns which would come into exact relation to the objects which the Committee has in view, would they not?—The only returns. In Belgium they have a central statistical commission, which corresponds with sub-committees throughout the country; and those sub-commissioners have the management of Agricultural Statistics, as well as of all other statistics. The statistical department of Belgium is totally distinct from the other departments of the State; and the statistics of agriculture, industry, and commerce, are combined in this statistical department.

"Do they collect annual statistics upon this point for the purpose of governing the supplies?—No; I believe every five years only in Belgium.

"Is there any country you know of in Europe which collects statistics in the manner or for the purpose which this Committee has in view?—I do not think there is any.

"Do you know what course is pursued in the United States of America for the purpose of obtaining Agricultural Statistics?—No; I believe, however, the statistics of the United States are not of that correct character as they appear to be—given as they are by the bushel; they are estimates, made perhaps very roughly, by commissioners."

This statement by Mr. Levi shows the very mistaken view of the President of the Board of Trade as to the nature and purposes of the Agricultural Statistics collected by Foreign Governments, when in the course of his speech in the debate of the 11th March, he went on to observe, "Was it to be said "that England should alone remain without an ef- "fort to obtain knowledge which had been so readily "obtained in other countries? Was this country to "be almost the only place in the civilised world in "which such information could not be obtained? "In France, in Belgium, in Holland—nay, even in "Russia itself—there were established systems by "which Agricultural Statistics were annually ob- "tained."

are the result of actual surveys; and there is no reason to believe that they are more to be depended upon than are the estimates of the state and prospects of the harvests in this country, contained in the periodical publications devoted to agricultural topics. As will be seen from the context, M. Gouin's Report of 1840 distinctly affirms this view.

These repeated assertions of the systematic publication in France of Annual Official Statistics relative to the Harvest have led me to make inquiries in Paris, through the medium of M. D'Eichthal —a name sufficiently well-known—in a quarter thoroughly informed on the subject; and it can hardly fail to occasion some surprise when I state that the answer I received from M. D'Eichthal (dated 12th June, 1856,) is in the following terms:—

"Je n'ai tardé a vous répondre que parceque j'ai "voulu frapper a toutes les portes.—Rien de pareil "à une publication annuelle de Statistique Agricole "n'est publié ni par le Gouvernement ni par des "particuliers."

So that, after all the arguments founded on the alleged example of France, it appears that the utmost which is there attempted are the annual private estimates of the Prefects alluded to by Mr. Levi.

M. D'Eichthal was not content, however, with the result of a private inquiry; but was enabled to refer to the Minister of Agriculture and Commerce (M. Rouher), and from him received a statement (dated 4th July 1856), "que les resultats "de l'enquête agricole prescrite par mon Minis- "tère en 1852–53, n'ont pas encore été publiés." Adding the remark, "Je ne puis donc mettre, "en ce moment, à votre disposition, que la Statis- "tique Agricole publiée en 1840–42," contained it appears in four official volumes* setting forth the results, published in 1840 and 1842, of the inquiry ordained by Louis Philippe in 1835–36. These volumes, which M. D'Eichthal has been so obliging as to transmit to me, are prefaced by a Report to the King dated 30th May, 1840, presented

* Statistique de la France, publiée par le Ministre de l'Agriculture et du Commerce, Paris, Imprimerie Royale, tomes i. ii., 1840; tomes iii. iv., 1842. The tomes i. and ii. relate to France Orientale, and tomes iii. and iv. to France Occidentale.

by M. Gouin, the then Minister of Agriculture and Commerce; and in that Report details are given of the enormous exertions which had been required in order to accomplish the undertaking. Four years had been occupied in the task; for the Circular to the Prefects, containing an outline of the services required, was dated 12th July, 1836; and the inquiry seems to have been extended over the succeeding years, for the volumes set forth that "la production énumérée dans les Tableaux est "celle d'une année ordinaire: elle s'accroît dans les "années abondantes, et diminue plus ou moins dans "les années mauvaises ou médiocres." (*Rapport*, p. 24.) The inquiry, therefore, did not represent the results of a *single and particular* year, but the average results of the kinds of culture existing in France in the period 1836–40. In no sense, therefore, did this formidable investigation correspond with the current notion of *Annual* Agricultural Statistics. It was an investigation intended not to influence opinions and prices in any given year, but to afford a basis of average results obtained from a series of years.

M. Gouin's Report refers to the former attempts in France to obtain Agricultural Statistics, and describes the failures of those attempts under Louis XIV.; under the Constituent Assembly in 1790; and under Napoleon in 1810 and 1814. Subsequent to the year 1815, the plan of requiring from the Prefects an annual return of the result of the harvest in each Department was adopted; and this it appears is the only arrangement which has existed in France since 1815 for obtaining any official information on the subject of agricultural produce from year to year. But as regards the utterly defective and delusive character of the Prefect returns, M. Gouin's report bears the strongest testimony. We have for example the following statement:—

"Dès lors (1815) s'établit celui de demander aux Préfets des

Rapports annuels sur les Récoltes des Céréales de leurs Départements. Ces Rapports, et surtout la collection des prix locaux donnés par les mercuriales, fournissent des renseignements qui, dans quelques occurrences, peuvent être utiles à l'administration; mais ils ne constituent point une statistique agricole comme quelques publicistes l'ont supposé; et pour en être convaincu il suffit de considérer leur mode d'exécution.

"La première pièce de cette information manifeste son caractère et sa portée; c'est un tableau envoyé annuellement aux Préfets, à dater de 1815, et qui contient dans ses colonnes huit séries de questions. La première, 'Quelle est la Population de votre Département?' attend une réponse directe et decisive. Mais pour les autres questions, dont l'objet n'a jamais été soumis à des investigations semblables, les interrogations sont redigées d'une toute autre manière. Elles portent textuellement 'A combien d'hectolitres évaluez-vous le produit de la Récolte en Froment, en Méteil, en Seigle? A combien évaluez-vous la quantité de grains nécessaire annuellement à la consommation de votre Département? A combien d'hectolitres évaluez-vous l'excédant des ressources sur la consommation, ou le déficit existant dans ces ressources? A combien évaluez-vous la quantité de grains necessaire pour la nourriture des habitans; celle pour la nourriture des Animaux domestiques?" &c.

"Ni l'expression, ni le sens de ces interrogations ne permet de croire qu'elles puissent réclamer autre chose que des Evaluations en masse, laissées entièrement à la discrétion des Préfets; et il faut bien qu'il en soit."—*Rapport au Roi*, 1840, p. xiii.

It is not necessary to add anything to the decisive statements here made.

It is perfectly plain, from these details, that few things can be more wide of the truth than the supposition that the system of Agricultural Statistics in France, has been, or is in any way, connected with the purposes (viz. regulation of the markets) which are sought in this country; and equally wide of the truth is the opinion of the President of the Board of Trade, that complete annual returns have been readily obtained in France. The fact is, that the system of Territorial Schedules was adopted in France, more than half a century ago, not for merely statistical purposes, but as a means of carrying into effect the general Land-Tax, which constitutes the largest part of the public revenue in that country. And such have been the difficulties and

the expense attending the mode of assessment, and the collection of the information connected with that tax that, although the plan of procedure, under the name of a *Cadastre*, has been in progress of application for more than sixty years, it has not yet been completed, and doubts are entertained whether it ever will be completed.

As the origin and operation of this vast financial scheme are so little known (as is proved by the manner in which the statistics collected in the course of the assessment have been referred to in Parliament), while the tax itself, and the principle and mode of its adjustment, have considerable bearing upon questions relating to our own system of taxation of landed and other fixed property, I am induced to insert, from the "Dictionnaire de l'Économie Politique," the luminous description of the Cadastre, given by M. Ch. Coquelin *:—

"The Constituent Assembly abolished the greater part of the taxes existing at the time of the Revolution, and substituted for them, in 1791, a Land-Tax, which was to be assessed upon a principle of equality over every part of the territory. It was set down as a rule that this tax should be assessed on the Net Revenue, of which an aliquot part should be levied. But in order to attain this equality of assessment, it was necessary to value the incomes of the properties to which the impost attached. This is what has given birth to the *Cadastre*, which is no other than a Survey, more or less regular, of the properties liable to the tax, with a valuation of the incomes.

"The tax having been imposed before any operation of a Cadastre, the assessment was in the first instance very irregular, in spite of the pains taken by the Committee on Taxes to prevent

* The Dictionnaire de l'Économie Politique, published in 1854 by Messrs. Guillaumin, in two handsome and convenient volumes, is a most remarkable and valuable work. The articles are, of course, contributed by various writers; but those writers are the first Economists of France; and the result is that, within the compass of a single work, a complete view has been presented of the doctrines at present held by some of the most eminent persons whose names have been, or are, connected with the science.

inequalities as much as possible. And accordingly remonstrances and complaints arose on every side. This state of things induced the Assembly soon afterwards to decree the formation of a *General Cadastre*. The construction of it was at once conceived and projected on a vast scale, such nearly as was to be resumed at a later period, that is, upon a plan of distinct holdings (un plan parcellaire) of all properties liable to the tax, with an exact measurement of such properties, and an approximative valuation of the incomes. But many years were to elapse before the execution of this project should be seriously set about, the realisation of which is still far from being complete.

"For a long time the disorders of the Revolution, and still more the dilapidation (délabrement) of the finances, did not allow of entering upon an undertaking which would take so much time and prove so costly. The Tax continued then to be levied till the time of the Consulate according to the Rolls which had been originally framed. It was in 1801 that for the first time an attempt was made to assess it on new bases. An instruction, dated 22nd January, ordered the reconstruction of the groundwork (matrices) of the Rolls. Nevertheless, the entering at once upon the execution of so vast a plan as that proposed by the Constituent Assembly could not be ventured upon. In this first trial, which proved to be without results, no measurement was attempted; it was held sufficient to require from every proprietor an exact declaration of his income; —a mode of proceeding the insufficiency of which had been recognised in other circumstances, and which was not likely to succeed better in this instance.

"Nevertheless, complaints becoming multiplied, it was soon found necessary to have recourse to more certain methods. A Commission was named to study the question and to propose a system. At the end of its labours this Commission came to the conclusion that it was impossible to arrive at a regular and equitable assessment of the tax without proceeding to the construction of the General Cadastre which had been before projected by the Constituent Assembly. Considering at the same time the enormous expense which such a work must entail, and the long time which must elapse before it could be completely finished, the Commission proposed to Cadaster, in the first instance, 1800 Communes, taken upon different points of the territory, the lands of which should be regularly measured and valued, and which should then serve as a criterion to determine by comparison the approximative value of all the others. This operation was carried into effect, not, however, without a great deal of trouble; for Geometer-surveyors were wanting, and it was necessary in the first instance to form them. But when the work was done it was found that it would not yet answer the purpose. The comparison to be made between the Com-

munes which were cadastered and those that were not was absolutely wanting as a basis, because of the extreme diversities which were found in the nature and the value of the soils, insomuch that the Prefects themselves, to whom this task had been assigned, declared that it was not entitled to any confidence, and that it would only add, if use were made of it, to the inequalities of the assessment. This second method was, therefore abandoned, as the first had been, and resort was had afresh to the idea of a General Cadastre.

"The question was then to know whether to proceed by masses of cultivation and by communes, or whether the divisions of the plans and the estimations *par expertise* should be extended to all the holdings of the territory. The first method was the more simple, the most easy of execution, and the most economical; but it could give only an incomplete satisfaction, because, while establishing a more regular assessment of the tax between the departments and the communes, it maintained all the particular inequalities which were so much complained of. In spite of all objections, and whatever might be the difficulties of such an undertaking, the Government found itself compelled to have recourse to a Cadastre Parcellaire (of separate or distinct holdings), which was definitively ordained by the law of 15th September, 1807. The general conditions of it are explained in the following résumé, extracted from official documents:—'To measure over an extent of more than 160,000 square kilogrammes, more than one hundred millions of *parcelles* or separate properties; to construct for every commune a plan in Maps, forming an Atlas, in which should be inserted these hundred millions of properties; to classify them all according to the fertility of the soil; to value the taxable produce of every one of them; to comprise then, under the name of each proprietor, the scattered properties belonging to him; to determine, by putting together their products, his whole income; and to make of this appraisement (allivrement), which shall thenceforward be the unalterable basis of his assessment, that which shall set him free from all the influences of which he had so long had to complain.' Such is the object of the Cadastre.

"Such a work could not be accomplished in a short time. Accordingly it has been going on to the present year (1852) without being yet entirely finished. Some persons maintain that it never will be finished, because whenever completed on one point, it is found to be deranged on another by changes which have supervened in the interval. The registration of the changes may, it is true, serve, and does in fact serve, to keep the Cadastre *au courant* of the transfers which take place from one proprietor to another; but when properties previously joined become disunited, or when disunited properties become reunited in the hands of one proprietor, the parcellary plan ought to undergo corresponding modification, so that it should

always present an exact tableau of the actual division of the soil. This is what unfortunately does not take place at present; and this result, so necessary, appears, moreover, of extremely difficult attainment.

"To keep the parcellary plan *au courant* of the modifications which have supervened in the constitution of the landed property is the great difficulty of which a solution has not yet been found. It is, indeed, the principal stumbling-block (pierre d'achoppement) in the way of the system, but it is not the only one.

"It is not our purpose to enter into an examination of the points of detail which this subject raises; but it has sufficed for us to give a general idea of the operation, of the end proposed in the undertaking of it, and of the principal means adopted in the working of it.

"Is then a General Cadastre necessary?—is it useful? On this question opinions are divided. From the moment that a land-tax is decided on, with the pretension, at the same time natural enough, to place the sum total of this tax in constant reference to the net income, it seems necessary, and is so in fact, to state regularly, with respect to each property, the exact amount of the net income. Does there exist for this purpose any other method than the Cadastre? It may be doubted. But, on the other hand, a General Cadastre, a Parcellary Cadastre, accounting for all the divisions of property, for the relative value of all the holdings (parcelles), and for all the changes which supervene, whether in the appropriation, or in the value of the property, is an operation very costly, very difficult, and, perhaps, impossible. How to get out of this dilemma? England has escaped this difficulty by imposing on landed property, for account of the state, a tax, of which the amount, fixed at an ancient date, does not vary. Perhaps it will be necessary in France to come to an analogous system, subject to its being made to undergo the modifications indicated by the difference of time and place."

So much for the example of French Statistics as applicable to this country; so much, too, for the assertion of the readiness with which the information is there obtained. But the simple answer to those who hold out that example as one which we ought to follow for the benefit of our farmers, as a means of their obtaining steadier, and therefore better, prices, is, as I have before had occasion to observe, that the fluctuations of Prices have been as great, if not greater, in France than they have been in this country.

The fact really is, that in those countries in which there are elaborate returns of the produce of the soil, it is because such returns are required for purposes of taxation. If in this country a large part of the revenue were provided by an *Impôt Foncier*, or there were an Excise on Wheat and other Grain as there is on Hops, the result of the harvest would be ascertained to a fraction by the Government officers. Or still further, if there were in England, as there is in some parts of India, an assessment of land-tax from year to year upon each occupier, founded upon a careful inquiry into the produce of each occupier's land each year, the system of Agricultural Statistics would be perfect. But none of these are conditions applicable to our case.*

* As to the notion, that either the Government or the public of France have an advantage, by priority of information, over the public of this country in purchases abroad on occasion of deficient harvests, it is in my opinion utterly without foundation. To suppose that the Cornfactors, and the Merchants, and the Millers of this country, who import Wheat, are at any disadvantage compared with those of France, in obtaining foreign supplies, argues great ignorance of the Trade in Corn, both there and here. The intercommunication among parties interested in the markets on both sides is so active, that any very marked features in the aspect of the growing crops, or in the result of the harvest, are quickly communicated to parties interested in the trade on this side. Whatever information, for instance, is obtained by the merchants at Havre and Dunkirk, or in Paris, is forthwith communicated to their Correspondents at Southampton and London. And so little benefit did the present Government of France consider to have been derived from the purchases which were made abroad by preceding Governments, that upon the occurrence of the deficiency of the Crops at the harvest of 1853, it was announced, on the part of the Government, that it would not take any measures for importing Corn, but would leave such importation to be undertaken by private enterprise; and that the only steps adopted by the Government to remedy the deficiency was to prohibit exportation, and to open the ports to importation free of duty.

SECTION 22.

On the Nature of the Practical Methods by which in this Country a fair or just Equilibrium of the Price of Raw Produce, such as Corn, is maintained.—Difficulties not to be overcome by the most elaborate Statistics.

In the Thirteenth Section (*antè*, page 89.) I have referred to the extreme difficulty, or strictly speaking the impossibility, of arriving at any positive conclusion as regards a Future Range of Prices even after the most extensive collection of Agricultural Statistics has taken place; and I have said that there would still remain to be solved the problem of what the price ought in consequence to be; adding the remark, "this I will venture to say will "be found to be an *insoluble problem.*"

In looking at this passage again, it occurs to me that it may appear to be too peremptorily expressed; and I therefore add some further explanations.

By those claimants for Agricultural Statistics who believe that Fluctuations of Price are uncompensated evils, which would be obviated or greatly abated by accurate information to be collected and published by Government; it seems to be assumed that if all the facts relating to the Supply on the one hand, and to the rate of Consumption on the other hand, were ascertained, a price deduced from these data would be established by a simple arithmetical process.

But the condition of the problem, independently of all supposed causes of variation, actual and contingent, which no statistics could embrace, ought to include as a postulate the consideration of the entire period, and the order of time within which the whole produce of the harvest should be sold and consumed.

Take the case of a season of general abundance, of large crops not only in this country but abroad. If the question were to be put;—at what price the whole of the produce of the harvest, with the old stock on hand and the forthcoming foreign supplies, could be disposed of within the year;—the answer would be very different from the answer that would be given if the process of sale and consumption were supposed to be so protracted, as to leave, at the end of the harvest-year, a surplus to meet the new crop, equal to from one to six months' or upwards of the estimated consumption. In the former case the reduction would necessarily be to a rate inconceivably low; so low as not to admit of an assignable limit to the fall. In the latter case the limit would be such a price as, in the opinion of the wealthier farmers and importers, and of speculators outside of the Corn Trade, might induce the former to hold, and the latter to purchase, largely, with a view to an eventual advance of prices.

So, on the other hand, it may be observed, in the case of a harvest so deficient both at home and abroad, as in the memorable instances at the close of the last century, that we have already seen how impossible it would have been, to determine *à priori* what the advance of price should be, that would have the effect of limiting the consumption, and increasing the importation, so as to eke out the supply, actual and forthcoming, till another harvest.

For these reasons, and for those before stated, I feel justified in the conclusion which I came to at page 89 *antè*, that after all the light that Government could by possibility supply, the question of what the price ought to be is an insoluble problem.

It must be clear from this view, and such is the fact, that markets for raw produce, whether home-grown or imported, are necessarily Tentative or Ex-

perimental. The sellers ask the highest price that they think they are likely to obtain, while the buyers offer the lowest price at which they can expect to get supplied.

This observation applies to the produce which is actually in the market; and to the meeting of sellers and buyers who are brought together on such occasions. There may be different forms and modes of proceeding in the markets of the country, according to local circumstances and established usages, and these may be more or less convenient; but they do not materially affect the results in the adjustment of a fair equilibrium of supply and demand.

It may, however, be said, that although the adjustment of the price of Corn actually in the market takes place in strict accordance with the principle of supply and demand; yet the Stock existing in the country, or forthcoming, may be brought to market in a greater or less proportion at any given time; and thus, by affecting the immediate supply relatively to the demand, may cause an *undue* temporary elevation or depression of prices, to be succeeded by a variation in the opposite direction. This is the description of fluctuation which it is supposed that the information to be communicated by Government Statistics, beyond such as is now published by the Custom House Returns, would prevent or mitigate.

As the discussion on Agricultural Statistics seems to imply, on the part of the more zealous advocates for them, that the effect of such information would be to cause a more perfect adjustment of the Supply to the Demand, and therefore steadier prices; it may be worth while to offer in the next Section a few words of explanation of the circumstances that determine the proportions in which the existing stocks of Wheat (as the exponent of Corn) are brought to Market.

SECTION 23.

The Same Subject Continued. — Motives operating upon a large Class of Farmers to observe a definite annual Rule as to the Sale of their Corn.

The circumstances or motives which determine the Farmers in supplying the markets more or less liberally, may be classed under the following heads: — (1.) Necessity or want of means of holding. (2.) Convenience with reference to arrangements and to farming operations. (3.) Opinion of the future course of prices.

There is, — and in a class so extensive as that of the farmers there must of necessity be, — a very considerable number whose capital is so limited as to render it imperative upon them, with a view to the payment of their rent, and to the outlay for their farming operations, to bring to market a proportion of their Crop as soon after harvest as the threshing out, and putting it into condition for sale, can be effected. Such of this class of farmers as are in arrear of rent, or in debt to a banker, and pressed for payment, are under the necessity of forcing the whole, or nearly the whole, of their stock for sale immediately after harvest. The supplies thus brought forward, under the pressure of more or less of necessity, at the termination of every harvest, operate as a retarding force opposed to the influence of opinion on prices in the event of an ascertained deficiency of the Crops; while, on the other hand, they constitute an accelerating force, in addition to the influence of opinion, in depressing prices in the event of ascertained abundance.

Examples of the operation of the supplies

brought to market at the close of each harvest, from the smaller and more necessitous farmers, may be shown in the case of the two contrasted harvests of Scarcity and Abundance;—the former in 1853, and the latter in 1854.

Of the great deficiency of the Crop of 1853, both in acreage and yield, the impression among all persons engaged in the Corn Trade, — farmers, millers, and merchants,— was quite general by the middle or latter end of August. And I think, therefore, that the presumption is the strongest possible, that the sales which were then made at slowly advancing prices, had no reference to an opinion that the advance was in fair proportion to the scarcity; but were made merely in consequence of the necessity which the farmers felt themselves to be under, of realising at the current rates, in order to be enabled to meet their immediate want of money.

Of the great abundance of the Crop of 1854, hardly any doubt was entertained long before the harvest was completed; and the suddenness of the fall of prices was the consequence, not only of the pressure of necessitous sellers, but of sales by parties who, although able to hold, were alarmed at the prospect of a further and almost indefinite fall. Now here, as I have previously observed, the most accurate Agricultural Statistics; — if it had been possible that they could have been collected and published by the Government at the time, and could be supposed to have any influence on prices;—would have strengthened the tendency to a further fall. If it had not been for the counteracting circumstances — of which no Government Statistics could have given any intimation or warning — the effects of such a harvest, singly considered, would unquestionably have been to bring the markets for Wheat below 50*s*. And in this case the most ne-

cessitous farmers would have made the best, because the quickest, sales.

Hence it should seem, that if necessitous farmers are under a disadvantage, in being compelled to bring their Corn to market at the termination of a deficient harvest before the full effects of scarcity on the price had been felt; they have, on the other hand, a compensating advantage, in the event of abundant crops, in being under the necessity of selling without being exposed to the effects of the further impending fall. And the smaller farmers have on such occasions an advantage over the larger farmers, inasmuch as they can turn more quickly, with less of the counteraction which the latter are liable to experience from the greater quantities which they bring to market.

And the view of the question here presented has received support, even from a line of argument intended to show the superior advantages, which growers of corn would derive from official information, upon which it would be proper for them to form a speculative conclusion.

In the debate in the House of Lords on the 4th April (1856), in Committee on Agricultural Statistics, Lord Grey observed, "It was not for "the interest of the farmer that he should attempt "to combine the two trades of a corn-dealer and a "corn-producer or farmer. He knew certain gen- "tlemen who had been most successful in their ope- "rations as farmers; and the secret of their success "was, that they always delivered their corn as soon "as it was ready; and whatever the market was they "always sold the cattle and the corn they had sent "to it, never bringing it home again, but letting it "go for what it would fetch at the market price of "the day. In the long run they said they had "found it answer."

Now it strikes me, that the instance here adduced of farmers who were very successful in their

sales; and the secret of whose success seemed to be that they delivered their corn as soon as it was ready, and sold it at the market price of the day; is somewhat inconsistent with the opinion which Lord Grey expressed of the importance to the farmer of the true facts; that is, of accurate statistics, being made known to him as soon as possible. For if the farmers, in the instance in question, were guided only by a view to their own convenience in sending their corn to market; and letting it go for what it would fetch at the price of the day, without exercising a judgment as to the future prices, which he seemed to think was the province of corn dealers, and not of farmers; I do not quite see how they could be benefited by statistics, supposing that the statistics could really serve as a guide to future prices. By the supposition the farmers in question would not wait for the information so to be derived; nor if they had the information, would they speculate upon it in either hastening or retarding their sales. Their doing so would be at variance with Lord Grey's statement of their habitual and successful practice.

SECTION 24.

The Same Subject Continued. — Motives operating upon another Class of Farmers as regards the Accumulation of Stocks.

In the next place, as regards Farmers possessed of capital, I believe that there can be but a very small proportion of them who, however well able to hold their crop of Wheat, do not habitually sell some part of it before the approach of the ensuing

harvest, whatever their opinion of the inadequateness of the Price may be.

It is the practice, as I am told, of many farmers of this class, and of those among them whose cultivation is on the largest scale, to divide their stocks into three or more portions, which they bring to sale at stated periods, between harvest and harvest; without any strict reference to what they might anticipate as the future course of prices, but with a view to the convenience of their farming operations and their financial arrangements. The farmers who pursue this plan may be considered as securing a fair average of the prices of the harvest year; only perhaps somewhat accelerating and enlarging, or retarding and reducing, the quantities, as the prices may be more or less remunerative and consequently satisfactory. And here it may be observed that prices which may be remunerative for the produce of some farms, may be far from being so for the produce of other farms. If the prices throughout the harvest year prove to be generally unremunerative, the farmers of the class coming within the category here described, would probably remain with some portion of their crop undisposed of at the commencement of the ensuing harvest; and thus swell the surplus destined to meet the contingences attending the new crop.

There are, doubtless, some farmers so circumstanced in command of money, and in power of accommodation for holding their crop; as to be under no pressing motive for sending any part of it to market unless in pursuance of their opinion of future prices.

It is this class of farmers who may be supposed to influence prices according as they are disposed to supply the markets more or less freely. And it is possible that some of them might be so dissatisfied with existing prices, and entertain so

confident an anticipation of higher prices; as to remain with their whole stock unsold at the commencement of another harvest, although this I imagine must be a rare and exceptional case.

It is the class of farmers under this last category who, for the most part, are the holders of the Surplus Stock destined to meet the new crop. And in the event of two or three successive harvests of more than usual abundance, attended with declining markets and unremunerative prices; a progressive accumulation of the surplus takes place. This Surplus has been computed to have sometimes reached under those circumstances Six Millions of quarters or upwards; and in such cases the accumulation of Old Stock has retarded and mitigated the effects of harvests of less abundance following.

Such seems to have been the case in the Seasons of 1832 to 1836. In the Reports in 1836 on Agricultural Distress, some of the larger farmers, when asked how their crop of the preceding harvest, 1835, had turned out, replied, that they could not tell, because they had not yet threshed out any part of it. This evidence was given in April, 1836. And there can be no doubt that the large surplus stock then existing had the effect of retarding and moderating the advance of prices consequent on the indifferent harvests of 1836 and 1837.

If from disinclination to submit to prices which are unremunerative; or from too sanguine an expectation of improved markets; a large proportion of the farmers who come under this category withhold their supplies, and thus cause an undue elevation of prices, there is a speedy corrective at hand.

This rise, which by the supposition is beyond the occasion, will immediately attract an increase of supplies either from the near Foreign Ports if the prices there are lower than ours; or, as in the present state of the Corn Trade is commonly the case,

that there are floating cargoes with optional destinations, such cargoes would be directed to this country, instead of proceeding to ports in France, or Belgium, or Holland, to which they might otherwise have been directed.

So, on the other hand, if, under the influence of an erroneous opinion, there were a disposition on the part of the farmers to send too large a proportion of their stocks to market, so as to reduce prices here below those of the consuming states of the Continent; the error would be quickly rectified by a demand for export; or by a diversion to the ports of France and Belgium, of cargoes that otherwise would have come to this country.

In any way in which the question may be viewed and followed out, the result will be;—That the same principle which determines a Fair Equilibrium between supply and demand in the prices of Corn in particular markets and in particular countries; applies to the more general markets of the commercial world, which are in intercommunication, and are unfettered in their transactions by restrictive regulations of the Government.

And as this country, under the existing system of free trade, is open to Importation from all the corn-exporting countries of the world; and is equally free to Export to all ports abroad which are open to foreign supplies; it is clear that the Prices in the United Kingdom must be, allowing for expenses and delays of transit, European prices;—or rather prices of the commercial world.

SECTION 25.

On the Relation between the Cost of the Production of Corn, and its Current Price during short Intervals.

It may be supposed, perhaps, that if the Cost of Production could be ascertained it would serve as a guide in determining the price which the farmers would be entitled to demand, and which the millers might be expected to pay.

But the cost of production is an unknown quantity.

The question of the Price at which Wheat could be grown in this country was the subject of anxious discussion during the whole period, from nearly the close of the great war with France; that is, from the close of 1813 to 1846. When, by the course of military events, the prospect of peace; combined with the abundant harvest of 1813 in this country; gave rise to great apprehensions of a ruinous impending fall of prices, a Committee of the House of Commons reported that a price of 100*s.* to 105*s.* was necessary to enable the farmers to continue their cultivation of the land. These estimates of a remunerating price were reduced to 80*s.* in 1815 when the ill-omened law was passed, prohibiting all importation until the averages reached that price. And a general impression prevailed for some time after the passing of the Corn Bill of that year, that the price of Wheat could not, with that protective law, decline in any material degree, or for any length of time, below 80*s.* But notwithstanding this protective law, and notwithstanding the supposition that the cost of production was not less than 80*s.*, the price fell within a few months after the passing of the act to 50*s.*; and, after an intermediate rise, declined, at the close of 1822,

to 38*s.* 3*d.* in the week ending December of that year.

As the result of inquiries by the Committees on Agricultural Distress in 1833 and 1836, there appeared to be good grounds for believing that a price not less than 50*s.* would be remunerating to the growers of Wheat; and yet in spite of the protective law of 1828, the average price for the three consecutive years 1833–36 was 44*s.* 8*d.**

If the cost of production of Wheat in this country could be so little ascertained; and served so little as a regulator of the price during the reign of the Corn Laws, when the growers in this country had, for considerable intervals, the monopoly of the home market; how much less must it do so now when we are open to importation from all the corn-growing countries of the world.

The only mode in which the Cost of Production operates on the prices of Corn is, that if in a course of years Prices are unremunerative to those growers

* I have seen it made matter of complaint, by those who on behalf of the farmers call for Agricultural Statistics, that when they sow their fields they cannot be sure, or have any near approach to certainty, of the price which the produce, when brought to market, will fetch, or ought to fetch, and would fetch, if accurate statistics were collected and published. But does not the same uncertainty attach, not only to the growers of nearly all other raw produce, but to merchants in their importations from distant parts, whether of corn or of other produce? The merchant in this country, when he sends an order,—or the shipper abroad, who makes a consignment,—knows as little what a cargo of Tea from China, or of Coffee from Ceylon, or Sugar from Bengal or the Mauritius, will fetch when it arrives here, as the farmer knows at seed-time what his Corn when harvested will fetch. And yet the statistics of these productions are as full and accurate as it is in the power of Government to collect and publish. There cannot be a more apposite illustration of the insufficiency of the mere statistics which it is in the power of Government to publish, of the actual supply and the annual average consumption, as a preventive of great fluctuation of price, than the instance of the state of the Sugar market in 1855, details of which are given in another part of this work.

both at home and abroad, who are, in point of soil, and climate, and distance from markets, the least favourably situated, the cultivation will, as far as these are concerned, be discontinued. And according to the proportion they furnish of the total supply, will be the greater or less consequent influence on the ultimate level or average of prices.

It is only in this general and very indistinct point of view that the Cost of Production can be said to have any influence on the price of Corn; and the same remark is applicable to most other descriptions of Raw Produce. In a practical and immediate point of view, all markets for such produce are determined by the simple rule, or principle, of supply and demand. And the mode of operation of the rule cannot be stated in terms more clear than those of the passage which I have quoted (page 90, *antè*) from Mr. Burke.

There is, moreover, one reason which is decisive against the supposition that the cost of production can form any rule or guide in determining market prices, which is;—that independently of the ignorance which does and must prevail as to the cost of production generally in this and other corn-growing countries, there is the utmost diversity in the cost of production among different districts and farms in the same country.

A recent writer, Mr. MacLeod*, has described very accurately the nature of the process which

* The Theory and Practice of Banking, by H. D. MacLeod, Esq., 2 vols. 8vo., 1855. Longmans. It is impossible not to admire the independence of tone and judgment which distinguishes these volumes; and it is also impossible not to be struck with the resources of knowledge and of argumentative power manifest throughout the whole of Mr. MacLeod's Treatise. At the same time, large reservations are rendered necessary by the peremptory manner in which the writer condemns, frequently in highly coloured language, and nearly always for reasons manifestly inadequate, opinions and conclusions established by the researches or observations of former writers.

leads to the settlement of a Market Price for raw produce like Corn; and the following passage may be quoted with advantage from the remarkable Work in which it occurs:—

"Corn is an excellent example to show the fallacy of the maxim that Price depends upon the "Cost of Production. When the farmer has produced Corn, he does not regulate the price of it "by the sum it costs him to produce it, but he endeavours to obtain as high a price as he can "squeeze out of the necessities of the public. The "Farmer sells his Corn to the Miller, who bestows "his industry upon it, and sells it as flour to the "Baker. The Baker bestows his industry on the "flour, and sells it as Bread to the public. Now it "is evident that the cost of the article at each stage "of these operations is the sum of all the preceding "ones, together with the price which the holder of "the Corn may set upon his own industry: and the "ultimate cost to the consumer to enable all these "operations to be conducted permanently, must be "*at least* the cost of all the previous operations. "But no one will say that this is its instantaneous "value; on the contrary, it is notorious that each "holder at every stage does all he can to aggravate "the difference between the Cost of Production and "the Instantaneous Value. The Cost of Production "is merely an inferior limit below which the instantaneous value must not fall, if the business is to be "self-supporting. The Farmer seeks every opportunity to raise the price of Corn to the Miller; the "Miller strives to buy as cheap as he can from the "Farmer, and sell as dear as he can to the Baker; "and the Baker tries to buy his flour as cheap as he "can from the Miller, and to sell his bread as dear "as he can to the public; and the power of the "holder, at each stage of the operation, is limited "and controlled by the necessity he has to sell either "on account of the depreciation of the article itself

"by time, or by his other necessities: but limited "and controlled by these circumstances, the opera- "tions of each are wholly independent of the other." —*MacLeod*, i. p. 105.

To this passage taken alone there will be a very general assent. Mr. MacLeod seems to assign the proper place to Cost of Production in regarding it as the regulator of the Minimum price below which the market price cannot fall for any extended period. But it is due to the qualities exhibited by Mr. MacLeod as a writer to point out that the earlier chapters of his work, in which the elementary principles of price are discussed, are so conceived as to expose his readers to great danger of mistaking his real meaning. There are several elaborate passages intended apparently to prove that Cost of Production has no influence whatever on Price — and is an element which may be wholly disregarded. This is not Mr. MacLeod's real opinion. But it is unfortunate for the general effect of this part of his work that he so mixes together his discussion of "value" and "price," as seriously to impair the utility of the disquisition. Mr. MacLeod's own formal definition of Price is as follows, namely, "That Price "varies directly as the intensity of the service ren- "dered, and inversely as the power of the Buyer "over the Seller." The phraseology of this definition is itself open to considerable criticism; but in the hands of a disputant so skilful and courageous as Mr. MacLeod it is made the foundation of a lengthy suggestive argument.

Upon neither of the questions of Price and Rent, upon which Mr. MacLeod differs vehemently from Mr. Ricardo, does it appear to me that he establishes any real ground of dissent.

SECTION 26.

The Import Cost of Foreign Grain during the Thirty-five Years 1821–55. — *Magnitude of that Import Cost since* 1846. — *Recent Improvements directed to larger domestic Production of Grain.*

Connected with the general question of the operation of the Corn Laws; and of the effect of the Imports of Corn upon the Trade of the country during the period prior to the repeal in 1846, and since that year; some very important considerations arise out of the magnitude from year to year of the sums representing the Import Cost of the Grain of all kinds entered for Home Consumption.

So far I have confined myself to exhibiting the *Quantity* of the Grain Imports. But the further element of Import Cost must not be overlooked; nor must we overlook the proportion borne by that Import Cost to the Total Export Trade of the several years; for it is obvious that few circumstances connected with the Trade of each year have a larger share in affecting its general character than the Proportion of the Total Exports required to provide payment for the needful additions by foreign supplies to the produce of the Home Harvest.

The following Table, therefore, has been framed from the best materials accessible; and it will render complete in several respects other information contained in these volumes relative to the period since 1821.

IMPORT COST OF GRAIN and MEAL of all kinds entered for HOME CONSUMPTION in the UNITED KINGDOM during the Thirty-five Years 1821—1855; *with the Per-Centage of such Import Cost on the Total Declared ANNUAL VALUE of BRITISH EXPORTS; and with AVERAGES of each Five Years.*

Year (Calendar).	Observations as regards Quality and Condition of the Home Harvest.	Grain and Meal of all kinds entered for Home Consumption.		Average Annual Gazette Price of Wheat in England and Wales.	Year (Calendar).	Observations as regards Quality and Condition of the Home Harvest.	Grain and Meal of all kinds entered for Home Consumption.		Average Annual Gazette Price of Wheat in England and Wales.
		Import Cost.	Equal on Total Exports to				Import Cost.	Equal on Total Exports to	
		Mlns. £	Per Ct.	Per Imp. Qr. £ s. d.			Mlns. £	Per Ct.	Per Imp. Qr. £ s. d.
1821	Very bad.	.	.	2 16 1	1841	Bad.	9·	17·	3 4 4
'22	Very good.	.	.	2 4 7	'42	Very good.	8·5	18·	2 17 3
'23	Inferior.	.	.	2 13 4	'43	Good.	3·	7·	2 10 1
'24	„	1·	2·4	3 3 11	'44	„	4·5	7·	2 11 3
'25	Very good.	1·5	2·6	3 8 6	'45	Inferior.	2·5	3·	2 10 10
		·5	1·	2 16 10			5·	10·	2 14 9
1826	„	3·	10·	2 18 8	1846	Indifferent.	8·6	14·	2 14 8
'27	Inferior.	4·4	11·	2 18 6	'47	Middling.	29·	50·	3 9 9
'28	Bad.	2·4	7·	3 — 5	'48	Bad.	12·5	24·	2 10 6
'29	„	4·	11·	3 6 3	'49	Good.	17·	27·	2 4 3
'30	Inferior.	5·7	15·	3 4 3	'50	Inferior.	15·9	21·	2 — 3
		4·	11·	3 1 7			17·	27·	2 11 10
1831	„	5·	14·	3 6 4	1851	Good.	15·6	20·	1 18 6
'32	Good.	1·	3·	2 18 8	'52	Inferior.	12·6	15·	2 — 9
'33	Very good.	·2	·4	2 12 11	'53	Very bad.	16·7	16·	2 13 3
'34	Good.	·2	·4	2 6 2	'54	Very good.	21·4	21·	3 12 5
'35	Middling.	·4	·3	1 19 4	'55	Fair.	17·7	19·	3 14 8
		1·	4·	2 12 10			17·	18·	2 15 11
1836	Good.	·3	·1	2 8 6					
'37	Middling.	1·	2·	2 15 10					
'38	Bad.	4·5	8·	3 4 7					
'39	„	11·	20·	3 10 8					
'40	Inferior.	9·4	17·	3 6 4					
		5·	9·	3 1 2					

NOTE.—The Table may be read thus:—In 1840 the Import Cost of Grain and Meal was 9,400,000*l.*, or equal to 17 per cent. of the Total Amount in 1840 of the Declared Value of the *Exports* of British and Irish Produce and Manu-

factures; and the Average Gazette price of Wheat in England and Wales for the Calendar Year 1840 was 3*l.* 6*s.* 4*d.*—As regards the four years 1846, '47, '48, and '49, the Import Costs are taken from the very careful computations in the Newdegate Tracts on the Balance of Trade (Seeley); and for 1854 and '55 from the Official Report of the Board of Trade, as contained in the Statistical Abstract. For the remainder of the period contained in the Table the Estimates of Import Cost have been framed with care on the best data accessible. It will be convenient to bear in mind that the progress of *Population* has been as follows:—

	Great Britain. Millions.	Ireland. Millions.		Great Britain. Millions.	Ireland. Millions.
1821	14·4	6·8	1841	18·8	8·2
'31	16·5	7·7	'51	21·1	6·6

And also that the Real or Declared Value of the *Exports from the United Kingdom* of British and Irish Produce and Manufactures has been at the same dates as follows, viz.:—

1821	36·6 millions sterl.	1846	57·7 millions sterl.
'31	37·1 „	'51	74·4 „
'41	51·1 „	'55	95·6 „

It is to be added that by Import Cost is meant the Value in the Importers' Warehouses, and inclusive, therefore, of Freight and Landing Charges, but not including any duty.

Of this Table it will be convenient to insert the following summary, viz.: —

Periods (5 Yrs.).	Average Annual — Import Cost of Grain. Mlns. Sterl.	Equal on Total Exports to — Per Cent.	Average Annual Price of Wheat. £ s. d.
1821–25	0·5	1·	2 16 10
'26–30	4·0	11·	3 1 7
'31–35	1·0	4·	2 12 10
'36–40	5·0	9·	3 1 2
'41–45	5·0	10·	2 14 9
'46–50	17·0	27·	2 11 10
'51–55	17·0	18·	2 15 11

The most striking feature in these statements is the great increase in the Grain Imports subsequent to 1838; and especially the magnitude of those Imports during the ten years since 1846.

A series of favourable seasons, and extension of tillage, seem to have fully kept pace as regards produce with the increase of population down to about 1838; or, allowing for the four bad harvests which then occurred in succession, down to 1841. The population of Great Britain was returned in that year as 18·8 millions of persons, and had increased to 21·1 millions in 1851; and deducting for emi-

gration probably to 22 millions in 1855. But in the period of eleven years from 1845 to 1855 (both inclusive) there were seven seasons of deficiency,—three of them of a very marked degree of deficiency; and it is perfectly clear that it is to the Free Trade in Corn that we are indebted in the largest degree (in the face of a growing population, and perhaps but little addition to the area of wheat culture) for a moderate average price of wheat during those years; and for the means of paying an average annual sum of 17 Millions Sterling (equal to 25 per cent. of the total value of the Exports) for foreign grain, without a recurrence of the dangers and the panics of 1838–42.

Nor must it be overlooked, that to the expansion of the Total Exports under Free Trade since 1846, is to be traced a considerable part of that fortunate exemption from the pressure which must otherwise have almost inevitably occurred in consequence of the enormous magnitude of the payments for Corn.

We see, for example, that in 1839, an Import Cost of Grain of 11 Millions sterling was equal to 20 per cent. of the Total Exports (55 millions) of that year; but in 1854 the Imported Grain cost 21 Millions, or double the cost of 1839; and in consequence of the larger volume of the external trade (97 millions in 1854) still amounted to no larger a per-centage than in 1839. But let it be supposed that when the 21 Millions' worth of foreign grain had been required in 1854, there had still been no larger an Export Trade than in 1839; and that the Corn Law had been still in force; and it will not be difficult to understand what would have been the disastrous consequences.

During the Twenty Years from 1836 to 1855, there have been Twelve deficient seasons—Seven of them decidedly so. It may be considered, perhaps, that as regards the next twenty years there is a

probability of a more favourable series; and it may happen, that in consequence of the productiveness of our soil, we may be relieved in a great measure from that annual drain upon our resources of 17 Millions per annum for Foreign Corn, which Free Trade has enabled us to sustain during the last ten years. The beneficial operation of Free Trade will remain and increase; and the possibility, or probability, of this country continuing to enlarge its foreign trade during the next few years; and be at the same time able to dispense with large imports of grain; is among the most important of the considerations connected with the immediate Future.

But not only is there the probability in some degree, of a more favourable series of seasons founded upon the undue recurrence of deficient seasons within a recent period; but there are at work positive causes tending in a powerful degree to accomplish a large Increase of Produce. These causes are connected with the improvement of the soil; and the removal of impediments to the general adoption of the best modes of culture: and for the purpose of forming any approximate opinion of the future range of the Prices of Corn in this country, it is certain that very careful attention must be paid, to the effect of the measures for applying agricultural improvements on the largest scale.

These measures are of four classes, namely;—First, as regards Drainage on scientific principles;—Second, as regards the provision of effectual legal means for enabling life and fee-simple holders of land to raise money for Improvements;—Third, as regards the general introduction of more economical machinery and implements into farm labour, and the employment of steam as a Motive Power;—And lastly, as regards the enfranchisement of the soil in Great Britain from Tenures (such as Ecclesiastical Leases and Ordinary Copyholds) inimical to the fullest development of the land; and in Ire-

land by the extinction, as well of con-acre allotments, as of the class of large landed estates held by pauper squires.

It is no part of my purpose to discuss these questions in a formal manner, nor on the principles of scientific agriculture; but their effect on the production of grain crops in this country is already so marked that, as elements operative on Prices—especially the element of Drainage—it is necessary to advert to them with some care.

Section 27.

The effective Legislative Provision existing since 1846 *for the Application of Capital to Land Improvement, especially Drainage. — Progress actually made.—Extent of the Field to be yet occupied.*

The first Act of Parliament framed for the express purpose of promoting Agricultural Drainage Works by the holders of land was the Act 3 & 4 Vict. cap. 55, (4th Aug. 1840,) known as Mr. Pusey's Act.

This act was described in the title as "An Act "to enable the Owners of Settled Estates to de- "fray the Expense of Draining the same by way "of Mortgage;" and the preamble will most probably be referred to in the next generation as a legislative confession of the manifold evils arising from merely collateral and life interests in land. It recites that "Whereas much of the land in "England and Ireland would be rendered perma- "nently more productive by Improved Draining, "and, nevertheless, by the great expense thereof, "proprietors, having a limited interest in such land,

" are often unable to execute such Draining." The machinery set up for the purposes of the Act is very significant of the then jealousy of such innovations as it introduced. No drainage outlay was even to be undertaken without the consent of the Court of Chancery. The principal money expended was to be repaid by not more than eighteen annual instalments with interest; and no drainage was to be allowed except in those cases in which the Court was satisfied that the annual value of the lands would be raised by 7*l.* for each 100*l.* expended. Involving as the Act did so many difficulties of application, it was almost inevitable that it should be, as it was, very nearly a dead letter. But if it failed in practice, it fully established the principle of the necessity of enabling life tenants to carry through works of Drainage.

The next Act, that of 1846 (9 & 10 Vict. cap. 101; 28th Aug. 1846), was more effectual. It enabled the Treasury to advance, under the advice of the Inclosure Commissioners, Two millions sterling in Great Britain, and One million in Ireland, for Drainage purposes; to charge only 3 per cent. per annum; and to spread the repayments of the principal over twenty-two years. Subsequent Acts made additions to the amount to be advanced, and gave increased facilities. The Act of 1849 (12 & 13 Vict. cap. 100; Aug. 1849), enabled private parties to advance money for Drainage, and to be secured by the creation of a prior charge on the property, with repayment of the principal in twenty-two years.

In the mean time several Joint-Stock Companies were established in England, for the purpose of entering into arrangements with holders of land for the completion and maintenance of Drainage, and other improvement, works. Special Acts* of

* The South-West Land Draining Company were empowered in 1848 by the Act 11 & 12 Vict. cap. 142,—the act granting

Parliament were obtained by these Companies, arming them with the needful powers; and authorising landholders to grant securities for the repayment of principal sums expended;—in the instance of one company by creating a perpetual rent-charge; in others by a rent-charge for twenty-five or fifty years. At the present time these Companies are in active operation, and are believed to meet with great encouragement.

The latest, and probably the best, information on the subject of Agricultural Drainage in Great Britain is to be found in the report of a Paper by Mr. Bailey Denton (a gentleman of practical experience), and the discussion upon it at the Society of Arts in December, 1855. Mr. Denton brings down the data on the subject to the end of October, 1855; and the following abstract will give an outline of the results so far as our present purpose is concerned:—

Mr. Denton estimates that the average amount

power to the landlord to create a charge in perpetuity; The General Land Drainage and Improvement Company in 1849, by the 12 & 13 Vict. cap. 91,—the period of charge being fifty years; The Lands Improvement Company in 1853, by the 16 & 17 Vict. cap. 154 (supplemental act, in 1855, 18 & 19 Vict. cap. 84), the period of charge to be twenty-five years. It is desirable to cite these acts in their order, because they form the basis on which a future large system of Land advances may perhaps arise. —The Report and Evidence of the Committee of the House of Lords on Land Improvement in 1855 (Parl. Pr. 403/55) describes the system of the Improvement Companies very clearly. The leading principle of these Companies is, in point of fact, to act as Agents for the landowner in settling the preliminaries with the Inclosure Companies, in superintending the work, and raising in the general money market a loan, on the rent-charge created upon the Estate. The Companies charge an agency fee of about 2½ per cent. on the sum expended; and evidence was given before the Committee to the effect that the rate of interest falling upon the landowner for drainage outlay had been, down to 1855, from 4¼ to 4½ per cent. The Lords' Committee reported strongly in favour of a General Act for consolidating and improving the acts already in beneficial operation for facilitating Drainage Advances.

of capital employed by the occupiers of the Inferior Wet Lands of Great Britain is not more than 6*l.* an acre; and that the average cost of Draining such lands would be quite 5*l.* per acre. Down to 1846 the operation of Draining or bush gripping was considered to be an act of husbandry falling upon the tenant, and to be performed for 30*s.* to 40*s.* per acre; and though this kind of drainage lasted no more than twelve or fourteen years it was generally found to be remunerative. In 1846 came, as has been seen, efficient legislation; and that legislation has entirely established the principle that Under-Drainage is an operation falling on the landlord; the only contribution falling on the tenant being an increase of rent to provide a reasonable part of the interest and re-payment. Some of the authentic returns of the increase of Produce arising from Drainage give an increase of one-fourth over the produce yielded by the same land when Undrained; but no return gives the increased produce at less than *four bushels per acre.*

Mr. Denton considers that Great Britain may be divided into Three principal districts for Drainage Purposes; the division arising out of diversities of soil and undulations of surface.

The Western and North-western district, including the Lighter soils and the higher and more irregular elevations, extends from Cornwall to Scotland; and contains the largest area of the three, say 30,000 Acres.—The Middle District runs from Devonshire to Durham, and includes the Clay soils, the area being, say 19,000 Acres.—And the Eastern District, comprising the Chalk surface, extends from Essex along the eastern and south-east coast, covering an area of, say 10,000 Acres. Fully admitting that there would be great differences in the cost of Drainage works in various parts of these districts, Mr. Denton seems to consider that the general average cost

would be 5*l.* Per Acre for the portions requiring drainage.

Mr. Denton presents a Tabular Summary of the Area requiring Drainage in Great Britain, and of the progress already made;—founding his statements of money actually expended upon information obtained from the Inclosure Commissioners.

From this Summary I have formed the following Table.

AGRICULTURAL LAND DRAINAGE in GREAT BRITAIN, 1846 *to the close of* 1855; *Showing Extent, Cost, and estimated Area still requiring Drainage.—From Mr. Bailey Denton's Paper on Drainage, read before the Society of Arts, December,* 1855; *the principal Facts of the Table being furnished by the Inclosure Commissioners.*

1	2	3	4	5	6	7	8	9	10
Districts of Great Britain.	Area.			Expended for Drainage.			Area permanently Drained.	Remaining to be Drained.	
	Total Extent.	Cultivated and Cultivable.	Proportion of Wet Land.	Under Public Acts.	Under Private Money Acts.	By Drainage Companies.		Area.	Estimated Cost.
	Acres.	Acres.	Acres.	£	£	£	Acres.	Acres.	£
I. Western and North-Western (*loam*).	26,895,	16,320,	8,025,	1,276,	- -	- -	500,	7,525,	35,000,
II. Middle (*clay*).	18,882,	17,613,	10,415,	1,130,	- -	- -	415,	10,000,	50,000,
III. Eastern (*chalk*).	10,575,	10,024,	4,450,	122,	- -	- -	450,	4,000,	22,000,
Totals -	56,352,	43,957,	22,890,	2,528,	129,	350,	1,365,	21,525,	107,000,

NOTE.—The three figures at the *unit* end are omitted in all the columns. Thus, 56,352 represents 56,352,000 acres; and 129 represents 129,000*l.*

It may be convenient to give the Per-Centages of Wet Land (col. 4.) as compared with the Cultivable Land (col. 3.), thus:—In the West and North-Western District the proportion of Wet Land is 50 per cent.; in the Middle District, 60 per cent; and in the Eastern District only 44 per cent. The 56,352,000 acres represents the total *acreage* area of Great Britain, as generally computed; viz., 32,340,000 imperial acres in England; 4,752,000 acres in Wales; and 19,738,000 acres in Scotland. The imperial acreage area of Ireland, as generally given, is 19,441,000 acres, or nearly the same as Scotland. The imperial acreage area of the Islands along the coast of the United Kingdom is 1,119,000; making a general total of 77,394,000 acres.

The general result of this Table goes to indicate,—That of the Total Area of 44 millions of acres of Cultivable Land in Great Britain, one half is wet, and requires draining; that to the end of 1855 about 6 per cent. only of the 23 millions of acres of wet land had been drained; that the money expended was 3 millions sterling, or 44*s.* per acre on $1\frac{1}{3}$ millions of acres; and that, at the rate of 5*l.* per acre, a sum of 107 Millions Sterling was required to complete the drainage of the remaining area.

Towards this outlay there remains unapplied about $1\frac{1}{3}$ millions of the advance of 4 Millions authorised by Parliament. It is not likely, however, that the legislature will make any extension of these advances; for they amount to neither more nor less than the assumption by the State of the function of money-lenders for the benefit of one particular class.

Nor does it appear to be likely that any difficulty will arise in obtaining drainage advances by private negotiation, since the law has provided a machinery practical and inexpensive, and the security offered is a first charge upon the land with repayment of the principal of the loan by instalments spread over a period of years. In point of fact, as stated in a former page (see page 187, *antè*), Drainage Securities have been found negotiable at from $4\frac{1}{4}$ to $4\frac{1}{2}$ per cent. Under these circumstances, large as may be the amount said to be required (107 Millions) for completing the Effective Drainage of the surface of Great Britain, it may be considered that real commencement has been made towards obtaining it.

SECTION 28.

The Effect of Improved Tenures of Land in Ireland and in England; and the increased Application of Machinery to Purposes of Cultivation during the last seven Years.

In addition to the operations of Land Improvement in Great Britain, there has been considerable progress in the same direction in Ireland.

To the end of 1855 it is probable that 500,000 Acres had been permanently drained in that country by advances of public and private funds. And beyond these outlays for Drainage, the Sales of Land, under the Incumbered Estates Act of 1849 (12 & 13 Vict. cap. 77; 28th July 1849), had reached to the end of 1855 very nearly 800,000 acres.* In truth, the changes arising out of the operation of the Incumbered Estates Court are among the most extraordinary of recent events. Contrary to all expectation, and apparently contrary to the strongest *a priori* probability, nearly all the purchasers have been Irishmen; and nearly all the purchase-money has been forthcoming in Ireland. A country supposed to be the poorest in Europe, has found 13 Millions of money in five years for the emancipation of its own soil from pernicious trammels! The breaking up of the pauperised squirearchy, on the one hand, by the Act of 1849; and the consolidation of small

* From the opening of the Incumbered Estates Court on 21st October, 1849, to the close of the season of 1855, the number of Petitions presented was 3684 — the number of conveyances executed by the Commissioners 5297 — and the total amount of purchase-money obtained 15¾ Millions sterling. Out of a total of 7021 purchasers, no less than 6791 were Irish, providing 13¼ Millions sterling of purchase-money; and only 230 were English, Scotch, and others, providing 2½ Millions of purchase-money.

allotments by the famine and emigration on the other hand, have entirely changed the face of Ireland. The number of out-door Paupers, which stood at 104,000 on the 1st January, 1850; was reduced to the almost incredibly small number of 836 on the 1st January, 1856; and in every part of the country there are the plainest proofs of an improved condition of the people.

In England also, considerable progress has been made in a somewhat similar emancipation, of a large part of the best cultivated soil, by the conversion into Fee-simple of the Lessee interest of the Church in the Episcopal and Capitular Estates. The fee-simple value of the *landed* portion of those Estates has been fixed by Mr. Smith, the surveyor of the Ecclesiastical Commission, at about 24,000,000*l.*, and may be supposed, therefore, to extend to about 250,000 acres. Considerable progress has been also made in England under Copyhold Enfranchisement Acts: hitherto, however, the Enfranchisements are purely voluntary.

But the application of larger amounts of capital to the land of the United Kingdom has extended during the last few years, not merely to the permanent improvement of the soil, but to the departments of Farming Practice. More perfect and more powerful machinery and implements have been introduced; better manures have been applied; improved conditions of tenancy have been discussed, and in some cases adopted; and, as a general result, these improvements have not been confined to wealthy experimentalists, but have become more or less parts of ordinary practice.*

* It has been recently announced that, by a series of practical experiments, the efficiency of the Reaping Machine as an ordinary implement has been fully established; and that this machine may be expected to become as much used as the portable steam engine. It is said also that recent experiments have satisfied practical farmers of the efficiency and adaptation

Mr. Evelyn Denison, one of the highest authorities on agricultural subjects, speaks as follows, in his official report as one of the Jurors of the Paris Exhibition, of the progress of Agricultural Improvement in this country.

"In reply to the question,—'What progress has been made since 1851?'—the answer may be confidently given, that progress has been made on every side. * * And first on the list stands Steam Machinery. No farmer who has ever had a steam-engine on his farm will ever again be without one. The regular stroke of the untiring steam-engine gives excellence to the work of Threshing, keeps everybody in his place, and introduces among men, even the most careless, something of its own exactness and precision.

It was thought a remarkable thing, that in the year 1851 one firm, Clayton and Shuttleworth, of Lincoln, a firm not known in the agricultural world ten years ago, should have constructed and sold in one year 140 portable steam-engines. Since 1851 the annual progress of the same firm has been,—

Year.	Engines Sold. No.	Horse Power. Average.	Horse Power. Aggregate.
1852	243	5·5	1349
'53	293	5·9	1723
'54	363	6·3	2297
'55	491	6·7	3332
	1390		8701

Besides the constant increased numbers, it will be seen that there is a constant increase in power. In 1851 each engine averaged 5·5 horse power; but in 1855 nearly 7 horse power.

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to ordinary work of Fowler's Steam Plough, and that the inventor is a claimant for the prize of 500*l.* offered by the Royal Agricultural Society for any contrivance which should successfully apply steam power to the cultivation of the surface of the land. There was also announced, in August (1856), to the Meeting of the British Association, at Cheltenham, by Mr. Bessemer, his extraordinary invention for obtaining the finest kind of Malleable Iron and of steel at a cost no greater than that of cast iron — an invention which will exercise the most powerful influence in lessening cost of production throughout the whole industry of the country.

It is computed that 90 per cent. of these engines are used for agricultural purposes in England; the remaining 10 per cent. are sent abroad, or are used for purposes not connected with agriculture. * * One leading agricultural firm (Messrs. Howard) report, that the demand for improved implements *now comes mainly from Tenant Farmers:* formerly, it was in a great measure confined to amateurs and large proprietors. *The business of all the leading machine makers* has *doubled* since 1851.

Mr. Denison then refers to the progress of Agricultural Chemistry; to the progress of scientific principles in feeding Cattle, and Sheep, and Pigs; and to the better knowledge of Manures. As regards the single imported manure Guano, he says, —

"The sales of Peruvian Guano by Messrs. Gibbs for the last three years have been, 1852, 118,000 tons; 1853, 135,000 tons; 1854, 177,000 tons; in all, 430,000 tons; which at 12*l.* per ton, represents an expenditure by farmers of 5,160,000*l.*; and to this must be added the large outlay on Linseed Cake, on Bones, Rags, on Minerals containing fertilising principles, on lime, plaster," &c. (*Report*, p. 210.)

Results such as are here described by Mr. Denison have stimulated foreign countries to exert themselves in the same direction.

In May, 1856, the Corps Législatif at Paris adopted a law authorising the advance of 4 millions sterling to private landowners for Drainage purposes; and the elaborate report on which the law was founded set forth in considerable detail the beneficial result of similar measures in other countries. The report states that the extent of land in France requiring Drainage is 25 millions of imperial acres; and that about 7 millions of acres have been more or less drained at an average cost of about 30*s.* per acre; and that the average increase of produce has been fully 10 per cent. on the former crops. In Belgium and Germany the report says that considerable Drainage operations have been carried through.

These, then, are some of the facts indicating the probability of considerable additions to the Annual Produce.

SECTION 29.

Probable Future Range in this Country of the Prices of Corn. — Opinions expressed in Year 1847.— *New Influences to be considered.*

The recent high range of prices of Wheat, and the great fluctuations which have occurred since the repeal of the Corn Laws, have given occasion to the still unconverted adherents of the doctrine of Protection, to call in question the soundness of the policy adopted in 1846. The anticipations and predictions of the most prominent of the advocates of the repeal, as to the probable effect of it on the future course of prices, are referred to as having been falsified by the event; inasmuch as the promises of cheap bread and steady prices have not been realised.

Now, if those predictions had failed of being realised in a still greater degree than they have been, their non-realisation would not in any way invalidate the truth of the principles and policy of the Act of 1846. It is happily not necessary at this time of day, nor would it be here the place, to vindicate that measure; but I will add a few words upon the degree of importance to be attached to attempts which may be made to predict a Future Range of prices of Corn.

In the preceding volume of this work, under the head of "Prices of Corn" (iv. 378.), I ventured to offer a conjectural opinion upon the future course

of Prices, guarding, however, the expression of that opinion in the following terms:—

"The future course of prices is dependent on "contingences of such magnitude and uncertainty "that any one, however extensive his experience or "means of information, would justly be open to the "charge of presumption if he were to offer a con- "fident opinion. Too great allowance can hardly "be made for the possible influence of the seasons. "The effect of a single season like that of 1816, "the inclemency of which extended over nearly the "whole of Europe, rendering the crops of Corn of "all kinds greatly deficient, and raising the price "of Wheat both in this country and the principal "bread-consuming countries of the Continent above "100*s.* per quarter, is scarcely susceptible of pre- "vious estimate. So also the singular and afflicting "visitation of the potato rot, which is a casualty "of the season, however it may be accounted for, "has had the effect of raising the price of Wheat "nearly as high as it was in 1816–17.*

"The occurrence of such casualties must necessa- "rily disturb and defeat all attempts at reasoning "with much probability of proving to be right on "the course of future prices.

"If, however, barring the occurrence of such "extraordinary visitations as happened at the close "of the last and in the early part of the present "century, and in 1816, and more recently in "1846–7, I were called upon to hazard a conjecture "as to the probable range of the prices of Wheat, "it would be to this effect:—Assuming the weekly "averages to be collected as at present, I should "expect that the whole fluctuation would range between 60*s.* and 30*s.* per quarter."

And the average or medium between these extremes, viz. 45*s.*, I considered to be a price which

* This was written in the closing months of 1847.

there was every reason to suppose would be consistent with a continuance, or possibly an extension, of cultivation.

Now, subject to these reservations, and assuming, as I then did, the value of Gold to be constant, and not anticipating a state of War, there is nothing in the subsequent experience of the course of the Corn Trade that can beconsidered as in any important degree impugning the correctness of the view of probabilities which in the passage above quoted I, at the close of 1847, ventured to offer; for undoubtedly such a season as 1853, causing a severe degree of scarcity not only in this country but in an equal if not in a greater degree, as in the case of 1816*, over nearly the whole of the Continent of Europe; and simultaneously with the occurrence of this disastrous season the breaking out of the war with Russia; must be allowed to come within the scope of the foregoing reservations.

The distinction between a Medium and an Average price is not commonly observed. The two terms are generally considered as convertible. But both in reasoning and in practical application it is desirable to observe the distinction. The one is the simple addition of the highest and lowest price, however short or long the term within which the fluctuation has taken place, and a division of the sum by two gives the mean or medium price; while an Average price is the result of the addition of a series of quotations between the extremes, dividing the sum by the number of quotations. Thus, taking the five years 1848 to 1853, inclusive, between the two great scarcities of 1847 (which includes the effects of the potato rot) and 1853, the Medium price between 56*s.* 10*d.* the highest

* The harvest of 1853 was not in this country so deficient as that of 1816, but it seems to have been fully so throughout the Continent of Europe.

increased quantity of Gold, whether as a commodity or in the shape of coin, can have come into immediate contact with Corn, so as to have contributed in any degree with the Seasons, and the War, to the recent high range of prices.

But whether the New Gold has entered or not as an element into the present prices of Corn; it cannot, I think, fail of preventing a subsidence of them to the level of the prices of 1852, from which they had risen. Or in other words, there are good grounds for believing that when the masses of the Precious Metals from the new sources shall have become diffused and distributed in the shape of income—that is, of rents, salaries, and wages—among the nations holding commercial intercourse, a higher permanent level of prices will be established than there had previously been reason to anticipate. But if, prior to these Gold discoveries, and while the value of the Precious Metals was constant, or nearly so, it was difficult if not impossible to form a reasonable conjecture as to the Future Price of Wheat; whether as an average for a series of years; or a medium between a maximum and minimum; any such attempt must be out of the question, now that the further supplies from these new sources baffle all calculation as to their probable extent and duration; and consequently as to their ulterior effects on the Prices of Corn.

SECTION 30.

Character of the Season and Harvest of 1855.—*Prices and Estimated Produce of Wheat.*

I resume from the Eighth Section the narrative of the Seasons with the month of March, 1855.

The 12th of that month (March) was the termination of a somewhat rigorous winter; frosts having set in with some severity on the 16th of January, and continued, with a few intervals only of open weather, to the above date. Thenceforward to the end of the month the weather was variable; and the season, although cold and backward, was not unfavourable to farming operations in the sowing of spring Corn; while the autumn-sown crops were reported to be coming up better than might have been apprehended from the severity of the winter.

April.—There were a few warm days in the beginning and middle of the month; but the prevailing character was that of dryness, and although there were some fine days, the nights were cold with a large proportion of easterly winds, and complaints were heard of unfavourable appearances of the Wheat crops.

May.—During the greater portion of this month the weather, in nearly all parts of the United Kingdom, was extremely cold and ungenial for the time of the year. As the fields did not present so favourable an aspect as could be desired, some anxiety was manifested as to the probable produce of the Wheat crop; and some parties went the length of stating that "the produce must be small "compared with last year." (*Farm. Mag.*) The two last days of the month were particularly inclement; the 31st especially, there being heavy rain with a driving cold N.E. wind.

June,—came in with a favourable change; seasonably warm, with the exception of four days, the 17th to the 21st, which were cold with northerly and easterly winds; a good deal of rain fell, but not continuous; and the entire month was propitious to the growing crops, which were reported to have recovered in a great measure from whatever injury they had heretofore appeared to

have sustained. The season, however, still backward.

July.—The weather variable throughout. No succession of fair or wet days; but a considerable proportion of the latter. On the 11th heavy rain, which had the effect of laying the Wheat crops very extensively. On the 14th a violent thunder storm and a fall of rain, but of no long duration. On the 15th rain between 11 and 12 P. M., and the following morning and day were wet. Temperature low throughout the month. Not a single hot day. Thermometer mostly under 70°. Appearances of a late harvest.

August.—The early part was wet and of a low temperature. "In the early part of the month of "August the rains continued as heavy as those of "the previous month, and the depth fallen up to the "8th was considerable, and the fears of all parties con- "nected with the trade were painfully aroused lest a "wet harvest should be experienced; but from that "point the weather steadily improved, and from the "11th to the 18th was of the most favourable cha- "racter; and between this period harvest in all the "early districts had commenced." (*Farm. Mag.*) The remainder of the month, with the exception of the 23rd and 24th, when there were showers, but of no great violence or duration, was fine and dry, and very favourable to the progress of the harvest.

September.—The first ten days were cold and dry, with the wind mostly from the N.E. From that time till nearly the end of the month much warmer; and, with the exception of showers on the 13th and 14th, fine and dry. The last three days of the month were wet and windy. But the entire month had been most propitious to the securing of the crops in all but the latest districts. And this favourable state of the weather till the closing days of the month was of the more importance in consequence of the backwardness of the harvest.

The Summer Months of 1855 which had followed a cold, backward Spring, had been mostly of a low temperature, and a good deal of rain had fallen in July, and in the first eight days of August; the dry weather, therefore, which succeeded during the following seven weeks occurred most opportunely and critically.

From the character of the Season, such as has been described, there were reasonable grounds for apprehension as to the result of the Harvest. The severity of the Winter was supposed to have caused some injury to the Wheat in the earlier stages of its growth. The Spring months were ungenial, and the summer, with the exception of the month of June until the second week in August, was cold and showery; and if the weather had not taken up as it did, after the first week in August, the consequence in the ultimate yield of the Wheat would have been very seriously felt in a great further advance on prices already high.

As it was, the highly propitious weather for the final ripening and the gathering of the Crop must have gone a considerable way in repairing the injury previously sustained. The estimate accordingly of the acreable produce of the Wheat is beyond the expectations which had been entertained during the progress of the harvest. In a large proportion of the seasons of late years the Northern division of the island had been more favoured, making allowance for difference of climate, than the Southern. But the case seems to have been reversed in 1855, the harvest in the northern division having proved to be more deficient, with reference to its ordinary proportionate yield, than the southern; and this seems to have been more especially the case in Scotland.

There have been few seasons in which there has been a greater diversity in the yield, according to the situation, than in the Harvest of 1855. In some

parts (although a very small number), the produce exceeded that of the same localities in 1854; while there were others, and those not inconsiderable in number, in which it fell short of that of 1853.

Mr. Sandars's Survey gives the figures of 45·5 as the result of the periodical examination of the crop; against 37·4, the figure for 1853; and 57·9, the figure for 1854. And I am inclined to think that these figures give a near approximation to the *relative* yield per acre of the Wheat Crops in those three years.

Of the Quality of the crop of 1855 it is observed in the Farmer's Journal for September of that year: — "Complaints are rife on the subject of the "marketable value of a large proportion of the "Wheat Crop; and it cannot be denied that there "is a wider margin between the quotations of the "finest and the most inferior samples than could "be desired."

The following extract from the Mark Lane Express presents a clear and compendious view of the fluctuations in the Prices of Wheat, and of the circumstances connected with them in the whole of the past Year 1855:—

"Tuesday, January 1st, 1856.—"The year 1855 was commenced at a high range of prices on a plentiful harvest; America was in straits; Northern Europe promised little, for her crops were small; and the War in the East considerably reduced the Mediterranean supplies. With these prospects, many were expecting a progressive and important advance; but the negotiations for peace at Vienna brought prices down from the starting point of 74*s.* 3*d.* on the 6th January, to 60*s.* 6*d.* on the 24th March; and the former rate was not resumed till the 12th May (1855), when the failure of Lord John Russell's mission had produced its effects.

"It then became evident that there could be no reduction in the rates on that side harvest, and some alarmists were predicting famine prices. In these apprehensions we did not share, resting our confidence on the extraordinary crop with which our own country had been blessed; and we had ventured the opinion on the 2nd July, that with our foreign importations reaching to

Two Million quarters, our necessities would be met; an opinion fully justified by the event.

"The Spring was unusually severe, the average temperature being three degrees lower than for forty years. Serious damage was reported to be done by the cutting east wind. April was without rain, May was bitterly cold, and the coming harvest seemed under a special blight. The light lands showed very little growth and very few plants, and none but the friable loams gave any signs of promise; but opportune and liberal rains rapidly changed the face of things, reserving to us the appointed weeks of harvest, which their long continuance almost threatened; and though perhaps there never was a season with greater diversity in the yield, nearly an Average Crop, we believe, has been gathered in, with scarcely a sprouted grain.

"The Baltic provinces were not so favoured, nor the neighbouring countries of France, Holland, and Belgium; but in America the scene was reversed, it was a time of plenty, and the expectations of Europe are now turned to this source; it remains to be seen whether it will avail. As to our own stocks, they must be unusually scanty, but little old wheat of home growth now being seen, and the small importation of foreign makes holders careless about pressing sales in dull markets. We have, and are likely to have, a continuous demand from the near foreign ports; and though reiterated rumours of peace again obtain, it seems to us nearly certain that if our own and the whole world's wants are favourably met, there will never have been seen before such a complete clearance of its cereal produce.

"'The extreme fluctuations in the averages during the past year have been 16*s.* 7*d.*, the lowest point being reached on the 24th March, and the highest on the 1st December, viz. 83*s.* 1*d.* The average for the whole year is 74*s.* 7*d.*" *

If allowance be made for the influence of political events and prospects, in the early part of 1855, causing a temporary depression of the markets; and for the great falling off of the importations from abroad in the closing months of the year, when a

* The lowest price on the 24th March, 1855, was a consequence of the conferences at Vienna; while the highest quotation of 83*s.* 1*d.* on the 1st of December of that year, is sufficiently accounted for by the very great falling off of the supplies from abroad, especially from the United States of America, from whence, in consequence of the reports of a superabundant harvest, a much larger importation before the close of the year had been expected.

long prevalence of easterly winds retarded by some weeks the arrival of the supplies which were on their way, and caused a temporary advance; the range of Fluctuation must be considered to have been on a very moderate scale. During a period of five months, from 18th May (1855) to the 20th of October (1855), the variation did not exceed 5*s.* per Quarter; the minimum having been 73*s.*, and the maximum 78*s.*, being a difference of barely 7 per cent.; which is a remarkably small per-centage, including as it does differences of quality, and the supplies of the new crop meeting those of the old crop. And yet during this period of remarkable steadiness of price there were constant complaints of the want of Agricultural Statistics to serve as a guide in regulating the course of markets.

The quantity of Wheat and Wheat flour Entered for Home Consumption during the Harvest Year 5th August 1854 to 5th August 1855, was 2,982,000 quarters;—or little more than half the quantity of the preceding Harvest Year. The quantity of Home grown Wheat Sold in the inspected markets from 5th September 1854 to 5th September 1855, was 5,144,000 quarters; or 1,800,000 quarters *more* than during the preceding similar period.

I have already given (page 50, *antè*) a statement of the Entries for Home Consumption of Wheat and Wheat meal during the Nine Harvest Years (5th August to 5th August) 1845–46 to 1853–54. I may now continue that statement as follows, viz.,—

Harvest Years.	Entered. Qrs.	Gazette Aver. Price. £ s. d.
1851–52	3,769,000	1 19 6
'52–53	5,735,000	2 3 10
'53–54	6,461,000	3 13 7
'54–55	2,982,000	3 10 1

Now it will materially assist us in understanding the striking result exhibited by these figures;—viz.,

an Importation diminishing by one half, while the price increased by one half; — if we refer to the Importations of Wheat and Wheat meal from four countries, — Russia, Prussia, France, and United States. Thus the Imports of Wheat were as follows, viz., —

Calendar Year.	Russia. Qrs.	Prussia. Qrs.	France. Qrs.	United States. Qrs.
1851	699,000	696,000	1,193,000	912,000
'52	733,000	452,000	459,000	1,232,000
'53	1,071,000	1,145,000	341,000	1,582,000
'54	507,000	675,000	206,000	1,152,000
'55	——	540,000	26,000	441,000

The decline in the Importations from these four countries explains the falling off in the general imports. In the case of Russia, the impediment was the War declared in March, 1854. In France, there was scarcity. With the United States, there were high freights and high prices.

The rise of the annual average prices of Wheat (per Imperial Quarter taken at 2·9 hectolitres) in France, Belgium, and Prussia in 1853, 1854, and 1855, as compared with the Five Years 1848–52, may well arrest attention: —

Years.	France. £ s. d.	Belgium. £ s. d.	Prussia. £ s. d.	England. £ s. d.
1848–52	1 16 7	2 1 6	1 14 —	2 2 10
1853	2 13 9	2 18 3	2 5 9	2 13 3
'54	3 6 7	3 12 2	2 17 7	3 12 5
'55	3 8 —	3 16 10	3 1 6	3 14 9

The importation of the comparatively small quantity of 441,000 quarters from the United States, would have been greatly augmented but for impediments and hinderances in getting down to the Atlantic ports the produce of the harvest of 1855.

The very intelligent writer of the monthly commercial review in Hunt's (New York) Merchants'

Magazine, says, on 1st October 1855, "The harvest "(in the United States), owing to the wet weather, "was several weeks later than usual, and this brings "the work of threshing too near to seeding time for "the farmer's convenience: still the quantity already "in movement is very large. The channels of com- "munication, both by water and railroad, are be- "coming choked with the quantity on its way to "market." Speaking of the general character of the harvest of 1855 in the United States, the same writer says,— "The crops were somewhat injured "in the gathering, owing to the wet weather; but "the damage has been limited and local, while the "actual yield is greater than ever before known "in the history of this country. In the Genesee "Valley and in Ohio, where some of the best white "Wheat is raised, the damage is serious, but in "most other parts nominal. In the Far West and "North West, the yield is enormous; and Indiana, "Illinois, Iowa, and Wisconsin, the last three es- "pecially, have raised Wheat enough to feed almost "the whole country."

SECTION 31.

Character of the Season 1855–56.—*Prices and Estimated Produce of Wheat.*

October and November (1855)—were not distinguished by any remarkable feature; a good deal of rain fell in October, but not in quantity or continuity such as materially to interfere with farming operations; and the temperature was moderate. In November, the fall of rain was not considerable, and the sowing was reported to be going on under

favourable circumstances. The temperature much colder towards the close.

December, — in the first three weeks of the month, there was a nearly progressive increase in the degree of cold, with strong easterly winds, the lowest degree marked by the thermometer being 19° on the 21st. The frost relaxed on the 22nd, and disappeared on the 23rd; the remainder of the month being open and mild for the season. There were falls of snow during the frosts in December, but not of any depth, and what did fall was blown into drifts by the strong east and north-easterly winds which then prevailed.

January (1856). — The temperature moderate throughout the month. A few night frosts, but none of any severity. No snow in London, and very little in the country.

February, — partook of the character of the preceding month, except as to the last six days, the 23rd to the 29th inclusive, which were moderately warm and fine for the season.

March, — set in with a strong cold east wind. And the whole month was more uninterruptedly cold, with a prevalence of northerly and easterly winds, sometimes of great violence, than any March of which I have any distinct recollection. A few hours' rain only in the night of the 16/17th. Wind S. W. on one day only, the 19th. A large proportion of dull days in the first half, and of bright days in the latter half.

April,—commenced with a favourable change on the first day of the month. The temperature much higher, and the wind changed from easterly to S.W., and continued westerly till the 14th, with a good deal of showery weather alternating with sunshine in that interval; temperature moderate, rarely exceeding 55° in the middle of the day. In the evening of the 14th, heavy rain with a driving N.E. wind. Thenceforward till the end of the

month the wind mostly N.E. to N.W., and cold and raw. Several showery days, and altogether more rain than is usual with the wind in those quarters.

May, — from the beginning to the close of the month, was mostly of a low temperature. There were night frosts in the first ten days, and rather severe on the 6th. The weather on the 1st and on the 31st of the month very inclement, cold, and wet. But the distinguishing feature of the weather was the quantity of rain which fell during the middle and latter part of the month, and which had the effect of flooding some of the low lands of the country, but not to such extent or of such continuance as to have been productive of any mischief.

In France, however, there were Inundations, caused by the overflowing of the Rhone, and the Saône, and the Loire, and their tributary streams, which laid a vast extent of the lands of that country under water. The devastation and destruction of property caused by this awful visitation have been beyond any precedent of former inundations. There had been a memorable inundation in that country in 1846, which, in a former volume (iv. 28.) I had occasion to notice in the following terms:— "In October, 1846, there were in the "Centre, West, and South-west of France exten- "sive floods, arising from heavy and continuous "falls of rain in the upper districts of the coun- "try. The inundation seems to have followed "chiefly the valley of the Loire. That river was "said to have risen as much as 20 feet in one "night; and the bridge at Orleans, as well as an "extensive viaduct, then recently erected between "Orleans and Vierzon, were swept away. The "total loss sustained by these floods, principally "in agricultural produce, was estimated at nearly "4,000,000*l.* sterling."

But from all accounts it should seem that the

extent of country overflowed, and the amount of property destroyed or injured by the recent inundation, has been much greater than that caused by the Floods in 1846.*

June.—The weather variable, but with a much larger proportion of rainy days than has been experienced at this season for some years past. The following extract from the Farmers' Magazine gives an account, under the head of Agricultural Report for June, 1856, of the state and prospects of the growing crops: — "Although rather large quan- "tities of rain have fallen in most parts of England, "and we have had rather a low temperature for "the time of year, the Grain Crops have made "somewhat rapid progress towards maturity. Nu- "merous advices respecting the appearance of the "Wheats have come to hand, and from them we "learn that, taken as a whole, they are looking "remarkably strong and healthy, with consequently "every indication of a full average yield. In some "of the lowland districts the blades show signs of "being discoloured; but that circumstance is not

* The Paris correspondent of the Economist newspaper, writing under date 12th June, 1856, says, "Of the amount of "damage done by the Inundations not the slightest idea can at "present be formed; but that it is enormous is quite sure. The "Prefect of the Loire has stated in a proclamation, that where- "ever the waters had extended in the Departments of the Loiret, "the Nièvre, and the Loire, the Crops were entirely destroyed, "to say nothing of the drowning of cattle, sheep, and pigs, and "the destruction of farms, houses, bridges, viaducts, and the "dikes of rivers. What is true of the Departments just men- "tioned, is true more or less of the Departments of the Indre "et Loire, the Loire et Cher, the Maine et Loire, the Rhone, "the Gard, the Drome, the Dordogne, the Tarn et Garonne, "and all the others that the waters have visited. It is stated in "a newspaper from Orleans that the damage is even seriously "prospective, inasmuch as the slime left by the Loire is very "pernicious to the soil; and that in extensive districts the "floods from the Loire have deposited a thick layer of fine "sand, which has the peculiarity of penetrating the soil, and "seriously diminishing the fertility for some years."

"likely to have much influence on the Grain; "hence we view it in an unimportant light. It "would of course be premature for us to give a "decided opinion as to the total yield, but present "appearances are certainly most favourable. In "some Counties the Wheat is in full ear; in others "rapidly coming into blossom; in other words, it "has now arrived at the most critical stage of its "growth."

July.—The weather, during the whole of this month, until the 29th, was of a low temperature for the season. A large proportion of dull and cloudy days; many in which rain fell, more especially on the 7th and 8th, and again on the 15th and 16th, in the night between which there was a thunder-storm in London. The rain on the 7th and 8th had the effect of laying the corn in some parts of the country; but the proportion laid was not so great as in many former seasons. On the 26th, 27th, and 28th, there were showers, some of them heavy, but not of long continuance. On the 29th fine, bright, and hot summer weather began and continued with increasing heat for some days. Of the weather in this month, and its apparent influence on the growing crops, the following is the account given in the Farmer's Magazine:—

"The great variety of weather experienced dur- "ing this month (July) has produced a variety of "opinions of the yield of Wheat. The pens of the "sanguine have described glowing anticipations; "but with every wish for a large and abundant "return for the growers and the country, we can- "not gather that much, if anything, beyond an "average will be forthcoming. There was cer- "tainly very rough weather about the 8th, which "did partial injury to early pieces in bloom, and "many more pieces were laid and twisted. Some "defective corns also appear, on examination; and "the maggot has been detrimentally at work in

"some localities; but, as a whole, with a favour-
"able time, there seems a fair prospect, especially
"as regards the breadth, the stimulus of war
"prices having brought much practical energy
"into play, for the growth of this valuable grain."

August.—The bright and hot summer weather of the three last days of July continued uninterruptedly through the first week in August. The days of the greatest heat, with a scorching sun and an absence of wind, occurred on Saturday the 2nd and Sunday the 3rd of this month. I have no record or recollection of two hotter days in any preceding summer. The degree in some observatories in and near London was reported to mark as high as 90° in the shade. This is higher than was marked by any thermometer which came within my own observation on either of those days. The days immediately following, until the 8th, continued to be bright and of summer heat, although somewhat cooler. The 8th was still fine, although occasionally overcast, with indications by the Barometer of an approaching change. In the night of the 8/9th rain began, and fell heavily during a great part of the following day. There were then a few fair and rather fine days, with occasional showers of no long duration, till the 14th, when a good deal of rain fell, and the temperature was much lower. Thenceforward to the 28th, inclusive, the weather was unsettled, with a large proportion of wet and windy days; those on which the most rain fell, and when the winds were highest, were the 16th to the 21st, inclusive. From the 28th to the close of the month was fair and rather fine, excepting that there was some rain, but not heavy or of long continuance, on the 31st.

With the exception of the first eight days and the last three days, the weather of this month must be considered to have been unpropitious to the progress and probable result of the harvest.

The unsettled weather and the low temperature of the last three weeks of the month retarded the progress of Reaping; and the great quantity of rain which fell, especially in the interval between the 16th and 21st, both days inclusive, was reported to have caused some injury to the quality and condition of the Wheat.

September.—Till the 21st variable as to wet and dry, with a full proportion of fair weather; Wind moderate, and several days Northerly and Easterly; so that, although the progress of the harvest in the later districts was occasionally interrupted by rain, this was not so heavy or continuous as to give rise to complaints of injury to the crops still unsecured. The temperature seasonably mild till the 19th and 20th, which were very cold, with the wind N. to N.N.W.

On the 21st (the Equinox), the wind changed to S.W., and blew a gale of considerable violence till the 24th, when it abated, but came on again between the 26th and 29th. Heavy Rains accompanied these Gales. Not a single day without more or less of rain. On the 27th and 28th especially, the fall of rain was greater than had been experienced within the same space of time for many years past.* And accounts from nearly all parts of the United Kingdom state the extraordinary fall to have been very general, and to have caused considerable damage to

* This fall of rain was so extraordinary that it may be worth while to record the particulars of it contained in the following statement furnished to "The Times" of the 2nd October, 1856, by Mr. Prince, of Uckfield. He says,—"The following is a list of the heaviest rains which I have registered during the last fourteen years:—

	inch.		inch.		inch.
1843 Aug. 23.	1·47	1851 Aug. 28.	1·30	1853 Aug. 23.	1·29
1849 April 19.	1·40	1852 Oct. 4.	2·12	„ Sept. 1.	1·27
„ Oct. 5.	1·69	„ Oct. 27.	1·77	1854 Oct. 7.	1·42
1850 Nov. 24.	1·47	1853 July 14.	1·79	1856 Sept. 28.	2·38
1851 March 15.	1·20				

the Corn Crops in the Northern division of the Island, where a large proportion of the harvest remained unsecured when the heavy rains came on.

On a review of the character of the Season in the Harvest Year, from the closing months of 1855 to the securing of the Crops in 1856, it appears that the prevailing features were a favourable seed-time, —a mild winter,—no severity of frost, and but little snow. More rain than for some seasons past in April and May, especially in the latter month, when there were floods over a great part of the Kingdom, but not of the destructive character of the inundations during that month in France. The summer, until the 29th July, of a low temperature. Complaints of a general absence of sunny weather. Appearances of a late harvest. But the sudden and excessive Heats which begun on the 29th July, and continued to the 8th August, altered the aspect of things, and hastened the maturity of the Crops, which were consequently in the course of being harvested in nearly the usual time; but the heavy rains in the middle of August retarded the progress of reaping, and caused some, although perhaps not important, injury to the Wheat in the Southern and Midland districts. The quantity of rain which fell in September was greater than had been experienced in the same month for several years past, and caused great damage to the outstanding Crops of Corn in the Northern division of the Kingdom.

The Estimated Produce of the Wheat Crop of 1856, in the districts submitted to the annual survey instituted by Mr. Sandars, and continued by the successors to his late firm, is represented by the Figure 52:—against 45·5 in 1855, and against 57·9 in 1854.

The *quality*, as tested by the weight, is stated to be superior to that of 1855. But in point of condition, it must have suffered in the har-

vesting from the unsettled weather which prevailed in the last three weeks of August. And if this has been the case in the division of the Kingdom to which Mr. Sandars's survey extends, namely South of York, much greater must be the allowance made for deterioration of condition of the Crops in the more northern districts, where a large part of the Corn harvest was exposed to the still more unsettled state of the weather in September.

My impression, therefore, is, that, if due allowance be made for deterioration of condition by injury from weather in the harvesting, the Yield per Acre of the Crop of 1856 will be found to approach much more nearly to the Crop of 1855 than to the Crop of 1854. At the same time, there is reason to believe that, from the favourable state of the land for autumn sowing, combined with the encouragement held out by the relatively high prices of Wheat, an increased breadth was sown with that grain. A part of that increased breadth is stated to have been in the place of what, but for this greater inducement to sow Wheat, would have been appropriated to Barley.

And, as regards the latter grain, while there has thus been a diminished acreage applied to the cultivation of it, the season appears to have been less favourable to its gowth. As a consequence of this relative deficiency of the Barley crop, its price has risen; while that of Wheat has fallen. The comparison will stand thus; viz.—

COMPARATIVE PRICES of WHEAT, BARLEY, and OATS, 1853–56, according to the GAZETTE AVERAGE for the closing week in SEPTEMBER in each year.

Week ended	Wheat. s.	d.	Barley. s.	d.	Oats. s.	d.
1856 — 20 Sept.	64	5	45	10	27	2
'55 — 22 „	77	8	35	9	28	8
'54 — 23 „	53	2	29	2	24	7
'53 — 24 „	56	7	35	9	21	4

These figures show a much higher relative price of Barley in 1856, than in the preceding years.

The Farmer's Magazine of October, 1856, gives the following account of the Harvest then closing:—

"So far as England is concerned, the important period of Harvest time may be considered over, with a more favourable result than was once expected; though the fear of sprouting, when the weather was unsettled, occasioned too much hurry in stacking, and a very large proportion of the crop is so impaired in condition that it cannot be used without an admixture of old Foreign, the little English left over being quite insufficient for the purpose. The actual damage by sprouting appears to be but a moderate per-centage; and as the imports have been liberal, and the American Crop is fine and dry, the farmer will suffer more in price than the public in the quality of the Loaf.

"The Northern Harvest is not yet complete, a prevalence of wet obtaining in Scotland when it was fine in the Southern parts of Great Britain; nor has Ireland yet finished her gatherings, the Western Provinces having still much Corn in the fields. The reduced temperature will, however, considerably reduce the danger of vegetation.

"Potatoes, too, which once promised so fair, have partially yielded to wet weather, and the late-sown pieces in cold soils throughout the Kingdom have shown a considerable increase of disease.

"With about an Average Crop, therefore, an average Importation seems necessary; and low prices appear improbable, as the Markets in France are rising, and the Prussian ports are now at such a range as to almost prohibit exports. In Finland, too, this is actually the case; while the Peninsula (Spain and Portugal) is making a weekly demand on our stores. Fluctuations in price have characterised the past month as well as its predecessor; the first fortnight exhibiting a course of decline, partially recovered in the last, though the balance has been against prices about 5*s.* per qr. on the best samples, and 3*s.* more on inferior descriptions."

I may now recur to the general course of Prices in 1856.

After the elevation of the Prices of Wheat, from the causes stated in a former section, in the closing months of last year (1855) the culminating point having reached 83*s.* 1*d.*, the markets gave way, the arrivals from abroad having increased; and the farmers, having for the most part completed

their winter sowing, brought forward supplies more freely. The weekly average on the 29th December, 1855, was 77*s.* 2*d.*; and on the 5th January, 1856, 76*s.* 10*d.* The average for the month of January was 76*s.* 6*d.*

Thenceforward expectations of Peace having become prevalent, and there being in the course of February no longer any doubt remaining of the approaching termination of the War, prices declined till the 23rd, when the weekly average was 69*s.* 2*d.*; and there was a further decline to 67*s.* 5*d.* in the week ending on the 22nd of March. Whatever, therefore, may have been the influence of opinion on the effects of War in the minds of farmers, all influence of that kind had then ceased; but the markets notwithstanding rallied, the average price for the whole of March having been 68*s.* 11*d.*

Thenceforward until the latter end of June the quotations underwent very little variation. On the 28th June, the weekly average advanced to 72*s.* 6*d.*; and reached 77*s.* 10*d.* in the week ending on the 2nd August. This advance appears to have been caused partly by the backwardness of the season and occasionally unfavourable weather, but in a greater degree by the state of the markets on the Continent of Europe.

In France apprehensions were entertained that the Inundations were likely to cause a deficiency in the coming harvest. There was hardly one of the continental states of Europe in which the Wheat Crops of 1855 had not been deficient, and complaints were very general of exhausted stocks.

The fine weather which set in at the end of July,—and removed the apprehensions of an unusually late harvest, besides repairing any injury that the crops might otherwise be supposed to have sustained, while foreign supplies were arriving in greater abundance,—then caused a rapid fall to

68*s.* 9*d.*; the weekly average on the 23rd August; and, after a rally to 73*s.* 2*d.* in the week ending on the 6th September, the price fell to 64*s.* 4*d.* in the week ending on the 27th of that month; but recovered to 65*s.* 9*d.* in the third week of October (1856).

On every occasion of a great alteration in the Prices of Corn, there has been a disposition to resort to recondite and disputable grounds of explanation, when reasons more solid and sufficient were at hand. Of this tendency of writers and speakers on the subject, I have given abundant instances when treating of such changes in former parts of this Work.

In the case of the Advance, and comparatively High Range, of Prices, since the close of 1852, there appears to be no difficulty in accounting for these phenomena upon very simple and sufficient grounds.

I suppose that hardly any body will call in question the sufficiency of the grounds of the rise consequent on the very defective crop of 1853. All the wonder and difficulty have arisen from the circumstance, that prices have not fallen more than they have done; seeing that the Crop of 1854 was a very large one, and the Crop of 1855, although decidedly less abundant than that of 1854, was at least equal to an ordinary Crop; while the Crop of 1856 just gathered is a medium between those two.

Undoubtedly three such Crops, irrespective of antecedent circumstances, and irrespective of the state of foreign markets, might reasonably have been expected to be followed by lower prices. But at the close of the twelve-months following the harvest of 1853, the Stocks of Corn, in this country, and in France, Belgium, Germany, and Italy, were, by all accounts, more nearly exhausted than they had been for many years before. And whereas—contrary

to the more general rule—the harvests in those countries had been relatively more abundant than in the United Kingdom, and caused prices to be lower between 1847 and 1853 than a view to the state of our own crops would have warranted;—so the relatively deficient harvests abroad, in the last three years, have maintained prices at a higher level here than might otherwise have been expected.

In the recent discussions to which the continuance of High Prices of Corn, notwithstanding the cessation of the war, and notwithstanding the more favourable results of the harvests in this country, have given occasion, an attempt has been made to account for these phenomena by the supposition of a greatly extended Consumption, not only in this country, but over the whole Continent of Europe, throughout which, with few exceptions, the same phenomena of the high prices of food are observable. Such increased consumption is ascribed to the greater numbers and improved condition of the people,—that improved condition being inferred from the vast extension of Trade among the different nations of the world within the last few years. But I have not seen any proofs adduced in support of this hypothesis.

But granting the utmost that can by possibility be claimed for the increased population; and the assumed improvement in the means, that is, in the Wages of the Working Classes, it is scarcely possible to conceive that the rise of wages should be such as to admit of the consumption of an *increased quantity* of Food, at prices in some instances nearly double, and in hardly any instance less than fifty per cent. above the rates which had been current three or four years ago. The utmost that I should think could be expected from the assumed improved condition of the working classes of the commercial world is, that they should be able to buy, at the advanced prices, the same quantity of bread corn

as they had been in the habit of consuming three years before at the low prices. This would not be an increased consumption causing the advanced prices, but a demand at increased prices to secure the former quantity.

There is another point to which it is proper to refer.

I took occasion (p. 206.), when referring to the state of the Corn Markets in 1855, to notice the *smallness* of the variation of prices in five consecutive months of that year; and I have now to call attention to the steadiness of prices between the 23rd February and the 21st June of the present year, 1856, when the utmost range of fluctuation was between a maximum of 69*s.* 7*d.* and a minimum of 66*s.* 6*d.*, being a difference of only 3*s.* 1*d.*; or, if the single week ending the 3rd May be excluded, the difference would be reduced to 2*s.* 4*d.* per Qr. during a period of four months.

While on this point of Steadiness of Prices, I would here refer to an instance of it to which, when treating of the state of the Corn Market in 1852, at page 27. *antè*, I hardly did justice. I then noticed the smallness of the range of fluctuation between the highest and lowest quotations; but I might have made the illustration more striking by the statement which I now give of the Quarterly Average, and of the average price for the whole of that year, viz.:—

		s.	*d.*
1852 — Janry. to March	- - -	40	10
„ April „ June	- - -	40	10
„ July „ Septbr.	- - -	41	2
„ Octbr. „ Decmbr.	- - -	40	9
„ *Average for the Year*	- -	40	9

And the entire range of weekly fluctuations was only 3*s.* 7*d.* below, and 4*s.* above, the average for the year, excluding the week ending the 25th December, when the weekly price had risen to

45*s.* 11*d.* under the circumstances which have been related at page 27. *antè.*

I introduce these instances of remarkable Uniformity of Price during somewhat lengthened periods, in order to show how effectually, in the absence of any obviously disturbing causes, the principle or law of supply and demand operates in establishing an equilibrium, or equitable adjustment, of the relative wants and expectations of the consumers on the one hand, and of the producers on the other hand; or, in other words, between the buyers and the sellers,—such adjustment constituting market prices.

By no device, by no contrivance of human ingenuity, could anything like so complete and equitable an adjustment be effected as by the *vis medicatrix* of this principle; and instead of indulging, as it has of late been the fashion to do, in declamation and lamentation on the sad necessity which, for want of agricultural statistics, the farmers are under of making their sales at random and in the dark, it would be more rational to feel and express wonder and admiration at the nice balance of influences by which so much uniformity is preserved and so equable and equitable a scale of prices is established.

Summary

SECTION 32.

Summary of Conclusions with reference to the Prices of Corn 1847–56; *and to the Corn Trade.*

The principal results which seem to be established by the historical view which I have presented in this First Part of the present Volumes, of the Seasons and of other circumstances connected in the relation of cause and effect with the Prices of Wheat and the state of the Corn Trade from the close of 1847 to that of 1856, may be summed up as follows: —

1. That the first Five Years, from the close of 1847 to the close of 1852, were in this country a period of great Abundance, and of prices unusually Low.

2. That this Abundance and these Low Prices were the consequence of unusually large Importations from abroad in aid of the produce of the crops in this country; those Importations being the direct and specific result of the Repeal of our Corn Laws in 1846: and apart from the effects of that Repeal, it is certain that the series of deficient seasons, from 1847 to 1852, would have subjected this country to great privations and great peril.

3. That in the group of five years in question, there was only one abundant Crop, namely, the crop of 1849; the other four being more or less deficient.

4. That the Harvests (1848–52) on the Continent of Europe and in the United States of America appear to have been more productive, relatively

to their ordinary produce, than the harvests of this country.

5. That in France, especially where the seasons of deficient harvest have, in the majority of instances, borne a character similar to those of this country, the crops of Wheat were, during the period 1847–52, so far different as to afford a surplus for exportation; and accordingly, instead of competing with us in purchases of Wheat abroad, the shipments from France contributed to swell the importations into the United Kingdom. On the other hand, the Crops in France, and on the continent of Europe generally in 1854 and 1855, appear to have been less relatively abundant than in this country.

6. That Prices of Corn in France were, in the interval, 1847–52, both lower on the whole, and fluctuated within as wide or even a wider range than in this country; — thus proving two things, viz. (1) that the protective system, by a most restrictive Corn Law which was then in full force in France, did not prevent a ruinous fall of prices in that country; and (2) that the information which is supposed (erroneously) to be supplied to the public by the Agricultural Statistics furnished by the French Government, has not enabled the farmers of France to obtain better or steadier prices than have been obtained by the English farmers, who have not the aid of any similar information.

7. That the Wheat Crop of 1853 proved to be very deficient in this country in consequence both of a diminished acreage, and a deficient yield. The deficiency of yield, from the effects of the weather, which was adverse to the sowing in the autumn of 1852, and to the growth of the plant in all its sub-

sequent stages, was greater than in any season since 1839.

8. That a result equally calamitous in the produce of the Harvest of 1853, was felt throughout the principal corn-consuming countries of the central and southern states of Europe; and the range of prices abroad, in consequence, was fully as high as in this country, and in some instances higher.

9. That the Harvest of 1854 was very Abundant; and the notoriety of the fact of such abundance, with the fine weather prevailing in the latter weeks of August and the early part of September (1854), caused a panic in the corn markets throughout the country, and the prices of Wheat experienced a great and rapid fall. But there was a speedy recovery from this panic when it was found that the stocks of Old Corn in this country were nearly exhausted; and that the millers and bakers had run themselves out of stock, while there were concurrent accounts of the bareness in a still greater degree of old stocks of corn in France and other parts of the Continent.

10. That the Wheat Crop of 1855 was much less in quantity, and greatly inferior in quality, to the crop of 1854; but greatly superior in both respects to that of 1853.

11. That the War with Russia, (commenced in March 1854, and terminated in February 1856,) had the effect of sustaining prices in the two years 1854 and 1855 at a higher level than they could in all probability have otherwise maintained; both by closing some, and obstructing other, sources of supply, and by greatly increasing the rates of freight.

12. That the War had some influence through

the medium of Opinion on the range of prices, as may be inferred from those fluctuations in the Corn market, which were caused evidently by the varying aspect of the negotiations for Peace.

13. That the Consumption of Wheat varies in a small proportion only to the variations in the Supply;—in other words, that the diminution of the consumption of Wheat, as food for man, in a Dear year, and the increased consumption in a Cheap year, bear a very small proportion to the difference in the quantity between an abundant and a deficient Harvest.

14. That the collection and publication by Government of Agricultural Statistics, however desirable the information communicated by them may be in a general point of view, as throwing light upon debateable grounds of discussion respecting the progress of the Country and its resources in material wealth;—are not likely to have the slightest influence in the way expected from them, of imparting greater steadiness to Markets, and enabling farmers to get better, or more equal and equitable, Prices.

15. That the Cost of Production cannot be considered in the case of Corn (and, indeed, of most other kinds of Raw Produce) as a cause determining actual or immediate market prices. That Cost of Production, in nearly all cases relating to the grain produce of this country, and still more as regards the produce of other countries, is an unknown or unascertained quantity; and the only mode in which it can be considered to be operative upon prices is when, as the result of a course of years, market prices are found to be unremunerative

to those Growers at home and abroad who, in point of soil, climate, and situation, are least favourably situated:—under such circumstances the cultivation, as far as these are concerned, will be discontinued. So, on the other hand, if prices for some length of time be more than ordinarily remunerative, there will be an extension of the area of cultivation. And according to the degree or proportion in which these causes of diminished, or extended cultivation, may be supposed to operate on the total of the sources of supply, will be the greater or less influence on the ultimate level or average of prices.

16. That, as this country, under the existing system of Free Trade, is open to Importation from all the Corn Exporting countries of the world; and is equally free to Export to all ports abroad which are open to foreign supplies; it is clear that the Prices of the United Kingdom, allowing for expences and delays of transit, must be European prices;—or rather prices of the Commercial World.

17. That the average annual amount of the Import Cost of Grain during the last Ten Years appears to have been not less than 17 Millions Sterling; and that in attempting to arrive at any conclusions as regards the Future range of prices of Wheat, it is highly necessary to consider the possibility of a considerable reduction of these large imports, partly by more favourable seasons; and still more by additions to the Grain Produce of this country, as a consequence of extensive applications of capital in the improvement of the soil, and in providing more powerful agricultural machinery; and also in consequence of improved tenure.

PART II.

ON THE PRICES OF PRODUCE OTHER THAN CORN, AND THE GENERAL COURSE OF TRADE IN THE MANUFACTURING AND OTHER MARKETS DURING THE NINE YEARS 1848 TO 1856.

SECTION 1.

Introduction.

THE Nine Years to be included in the survey and narrative of this Division of the Present Volumes arrange themselves naturally into Five Groups.

The two years, 1848 and 1849, derive a distinct character from the effects of the Continental Revolutions and the difficulties arising from the pressure of the Railway Expenditure.

The next two years, 1850 and 1851, were marked by a low range of prices, not only of articles of Food, but also of most articles employed as Raw Materials of Manufacture. They were also marked by the first decided influx of New Gold from California, and by the commencement of a largely extended Trade.

The years 1852 and 1853, were a period of great activity, and generally of great prosperity. The demand for labour, for manufactured goods, for shipping, and for the infinite variety of commodities absorbed by the enormous export trade to Australia and California, produced marked effects on Prices, and the general condition of the country, — effects, however, which were extensively modified by the Bad Harvest of 1853, and the prospect of the Russian War, then become imminent.

In 1854 and 1855, the interruptions arising from

the great European Conflict which then raged necessarily exercised a powerful and novel influence after the prevalence of Peace for forty years.

And in 1856, we have witnessed the effects of the somewhat sudden cessation of Hostilities, and the re-establishment of amicable relations throughout Europe.

But the Commercial and Economical history of the Nine Years, 1848—1856, has been rendered peculiar, not merely by the occurrence of a series of remarkable political events, and by the occurrence of the great discoveries in California and Australia ; but it has been impressed with a character scarcely less peculiar, or less important, in consequence of the operation of Principles and Causes of which there had been no large prior experience.

The maintenance, year by year, for a considerable portion of the period, of an annual Expenditure on Railways of twenty or thirty millions sterling, and the consequences arising from the constant extension of the facilities of Railway Transit into new regions ; — the transition from the old system of agricultural Protection to the new system of Free imports of Grain ; — the effects upon production and consumption of the entire and final adoption by this country of a Free Trade Policy, and of the partial adoption of a similar policy by other States ; — the occurrence among the Working Classes of a general, and in several cases of a successful, movement for Higher Wages ; — the prevalence in this country of exceedingly Low Rates of interest for a period sufficiently long to induce the Government to hope for the success of a financial measure which proposed nothing less than the reduction by one-sixth of the rate of interest on the Three per Cent. Consols ;—and lastly, the adoption and maintenance by the autocratic Government of France of a policy, with reference to questions of Finance, and to institutions of Credit, involving on a large

scale the trial of new principles, and the employment of unusual devices; — all these are circumstances which, by broad and obvious lines, distinguish the Period under review from those which have preceded it.

I have not hesitated, therefore, to render the treatment of the topic as far as practicable commensurate to the occasion.

In this Second Part, I have sought to present a full and continuous narrative of the Commercial Events of the Nine Years; and even at the risk of some sacrifice of conciseness, I have thought it the more satisfactory course to avail myself of the testimony of contemporary Reports and Circulars, by quotations from the documents themselves, rather than by any abbreviated phraseology of my own.

In the Part which immediately follows the present, I have sought to trace, from its origin downwards, the course of the great Railway Expenditure.

Succeeding that narrative, I have endeavoured, in the Fourth Part, to collect together some of the evidence which indicates the extensive changes arising out of the adoption of Free Trade.

And lastly, in the Sixth and Seventh Parts, which relate to France, and to the Effects of the New Gold, I have been desirous to complete, at least the outlines of, the great picture of the last Nine Years.

SECTION 2.

Influence of Political Events — Railway Expenditure — State of Trade — in the Year 1848.

The Year 1848 opened under circumstances which by contrast with those of the preceding year might be called favourable.

The minimum rate of Discount at the Bank of

England, which had been fixed at 8 per cent. per annum by the Government Letter of the 25th October (1847), had been successively reduced to 7 per cent. on the 22nd November;—to 6 per cent. on the 2nd December;—to 5 per cent. on the 23rd December;—and to 4 per cent. on the 27th January (1848). The amount of the Banking Reserve had risen from a point under 3 millions in October ('47); to nearly 7 millions in January ('48); and the market rate of discount had fallen even more rapidly than the Bank rate.

It is true that tidings had still to arrive of the effect in India of the vast Failures of the autumn of 1847. But it was so perfectly understood, that the bankruptcies here, must be followed by bankruptcies in Calcutta and Bombay, that the complexion of the Indian accounts may be said to have been fully anticipated.

But the occurrence of the Revolution in France at the close of February, 1848, — the utter overthrow of M. Guizot;—the flight of Louis Philippe;—and the installation in power of an extreme Republican party,— were events which had entered into no one's view of the immediate future.

Consols had ranged prior to the 24th February ('48) about 88–90. The effect of the French news will be seen from the following extracts from the City article of the Economist of Friday, the 3rd March, 1848: —

"The fluctuations in the Public Securities have been more sudden and greater during the week than at any time since the termination of the Continental War. On Friday last (26th February) Consols closed, even with a knowledge of the abdication of Louis Philippe, at 87⅞. On Saturday, however, they opened at 84½ to 85, and suddenly fell to 83, when it was found that a Provisional Government had been formed instead of a Regency.

"On Monday (28th February) they opened at 81½, and after great and violent fluctuations, left off at 81 for money.* From

* For a short time on Monday, Consols were quoted 79¾ to 80.

this extreme point they rallied on Tuesday to 82¼, and have since then been steady at about that price — the extreme fluctuation having been from 81⅞ to 83. One of the most remarkable circumstances on the Stock Exchange during the week has been the large amount of money from the public for investment. Both in Funds and Shares the only orders the Chief Bankers have received have been to *buy* at certain limits; while scarcely any orders have been received to *sell*.

"Money is very easy for short periods at 3½ to 4 per cent. on first-class bills."

The quotations of Foreign Bills offered on the Royal Exchange were violently affected, as regards France, Italy, and Germany; and for several weeks the accounts described Bills on Paris, Vienna, Trieste, and Italian places — especially long bills — sometimes as not saleable at all, and generally as only saleable at prices highly favourable to the buyer.

It will be remarked that the moment the price of Consols had fallen materially, there was a great influx of investers; and that influx, partly English and partly Foreign, continued for some weeks, and was not long in leading to considerably higher prices.

I again quote the Economist of Friday, 24th March, 1848: —

"Considerable amounts of Foreign Capital are already seeking investment in this country. The demand for money stock has been good all the week. On Wednesday (21st March, '48) a sudden rise of *one per cent.* took place in Consols; and since then they have gradually improved at least 1½ per cent. more. The rise since last Friday (16th March) is fully 2½ per cent.

"Money continues extremely abundant, and first-class bills are readily discounted at 3½ per cent.

"In the Railway Market the prices were exceedingly depressed, more so than at any former time whatever."

In the course of March occurred the suspension of specie payments by the Bank of France; and at Brussels by the Bank of Belgium, and the Société Générale; and indications were given of the vio-

lent policy espoused by Ledru-Rollin and the party of the Red Republic in France.

During March, April, and May, the failures of Banking and Mercantile houses at Paris, Havre, Marseilles, Hamburgh, Amsterdam, Antwerp, Berlin, and other large continental cities, were so numerous that, in some places, the discredit amounted to a literal suspension of all business, and of the payment of any obligations in specie.

Political apprehension was added to commercial disaster. In this country the Chartist failure of the 10th April (1848) removed all fear of any outbreak; but abroad the flame of revolt rapidly overran all Germany, and most of Italy.

As the year advanced the distress and pressure arising from the rapid decline of Railway Dividends,—the utter depreciation in the market of all Railway shares and securities,—the constant strain of heavy Calls upon shareholders already exhausted,—and the universal distrust and despondency regarding the future of Railway Property,—became the prominent topic, and excited real alarm.

The leading Companies endeavoured to allay the panic and suffering, in some measure, by publishing, in the course of the autumn, elaborate statements of their financial condition, intended to show that means had been devised by the Directors for sensibly lessening the magnitude of the obligations for New Lines still unprovided for. But the effect of these expositions was but partial. The Railway works in progress were too numerous and vast to admit of being easily or speedily stopped; and the contracts entered into with Engineers, Builders, Excavators, and others, had created a large and powerful class, with interests strongly opposed to any diminution of expenditure, except under very extreme circumstances. The class of Railway Shareholders was moreover so numerous, and so widely diffused over the whole country,

that anything like concert or organisation among them was not possible.

The extent to which the passion for Railway Gambling had penetrated the upper and middle classes is scarcely credible. In every street of every town persons were to be found who were holders of Railway Shares. Elderly men and women of small realised fortunes, tradesmen of every order, pensioners, public functionaries, professional men, merchants, country gentlemen — the mania had affected all: and it is quite certain that the distress and suffering endured by this unhappy class during the progress of the Railway Construction, and the long period of Railway Discredit, was of the severest character.

In a separate Part the whole subject of the Railway speculation is investigated at some length; and here it will suffice to show, from the records of the time, that the Crisis of Railway Property in 1848 was a visitation of no ordinary kind.

I extract the following passage from an elaborate paper in the Economist of 21st October, 1848. The writer estimated that up to that time about 200 Millions sterling had been actually called up on Railway shares in the United Kingdom, and expended; that the holders of this 200 Millions had given for the property at least 250 Millions; that in October, 1848, the market-value of the 250 Millions was certainly not more than 150 Millions sterling; and hence that a loss of at least 100 Millions had been then sustained, with the certain prospect of further expenditure, and therefore of further sacrifices still unprovided for.

"The chief primary cause which has been in operation during the last twelve months (say since October 1847) in reducing prices of Railway Shares arose from the simple fact that the public had undertaken to make railways far beyond their means to accomplish. Every fresh call that has been made upon exhausted shareholders was attended by one of two effects —

either the shares themselves, upon which the call was made, were sold in order to avoid payment; or some other shares were sold in order to raise money for the purpose. But, whichever plan was adopted, there was a constantly increasing number of sellers, and a constantly diminishing number of buyers — *and this effect of calls has operated in another most powerful way.*

"In consequence of Railway Shares being held in such disproportionate extent in relation to the Holders' property, advances from Bankers and others have been systematically relied on to enable their transactions to be carried on. A man with 10,000*l.*, not content to hold that amount of Shares, bought or subscribed for 40,000*l.*, borrowing 30,000*l.* on the security of the whole. A margin of 10,000*l.* made the transaction wear the appearance of safety to the Banker or money-dealer; but gradually, as the market fell, the margin wore out, until at length the price came so near to the amount advanced, that the Banker was compelled to sell, while he could yet do so without loss: *the Banker was paid, but his Customer lost his all by a fall of only 25 per cent. on his shares.* This process of forced sales to pay Calls and Bankers' advances has been the active cause of the rapid decline of railway prices throughout the year."

It may be easily imagined that the persons who found themselves involved in these Railway difficulties were driven, by the necessity of the case, to adopt every possible mode of retrenching their expenditure and of obtaining additions to their income by new exertions; and we shall find during 1848, and the two or three following years, repeated complaints of the prejudicial effect of the Railway embarrassments upon the markets for Home Consumption.

In the early part of 1848 the Manufacturing Districts had manifested gratifying symptoms of returning activity; but the political disturbances on the Continent put a sudden stop to all improvement, and led to such a cessation of demand that short time or total suspension of work became the rule, and the prices, both of raw materials and manufactured goods, sank to an extreme point of depression.

A passage from the report of the late Mr.

Saunders, at that time the able and zealous Factory Inspector for the Yorkshire District, for the Half Year ended 30th April, 1848, will show the State of Trade in the latter part of 1847, and at the opening of 1848.

"In Nov. (1847) I represented that, while at that time a revival of trade might be looked for before long, I was afraid it would not be so early or general as to relieve the operatives from much distress during a great part of the Winter. In the month of February the revival of which I had spoken, began in several parts of my District, more immediately in the Worsted Trade. Its progress was ascertained clearly by the demand for hands in most of the Mills in that Trade. Unhappily, the Revolution in France occurred but a few weeks after the improvement appeared, and the want of confidence to which the rapid spread of that event gave rise, at once crushed the hopes of the Manufacturer and Workpeople, and dispirited all classes connected more immediately with Foreign Trade.

"It is wholly unnecessary for me to dwell on any of the details of distress and ruin which have been the consequence of such a long continuance of unprecedented depression. It is impossible to describe the scenes I have witnessed, so as to picture them to the minds of those who are unacquainted with the district which it is my duty from time to time to visit.

"I wish it were in my power to report at this time a more general and extensive improvement than my last Accounts enable me to do. Still I have the satisfaction to inform you that there is an evident improvement in some Trades, though not in all, and that, so far as regards my District, the greatest improvement is that in which the larger number of interests are concerned, the Woollen Trade. The statements I have received in respect to this Trade, from Mr. Baker of the Leeds District, are upon the whole very satisfactory. The report from Mr. Bates of the Huddersfield District, is also encouraging. In the neighbourhood of Leeds the Woollen Mills are better employed than elsewhere. There is also good reason, I trust, to suppose that this improvement is not only progressive, but the result of a wholesome demand for goods. The Worsted Trade is unhappily very bad, though a slight improvement in some places may be traced in this also. Mr. Baker's calculations for the neighbourhood of Bradford give an average employment of about 2½ days in the week, being nearly the same as in November. Captain Hart, in whose District the Cotton, Wool, and Worsted Trade are all, to some extent, carried on, reports throughout the whole District a slight improvement. The Flax Trade of Leeds is, I fear, worse rather than better."

A further passage from Mr. Saunders's Report for the Half Year ended 31st October, 1848, will show the effect on Prices and Employment of the events of the summer of 1848. He says,—

"I have the satisfaction of reporting, that, with few exceptions, all branches of Commerce have, during the course of the last half-year, afforded employment to a larger number of hands than for many months preceding.

"The degree to which each has partaken of this improvement has differed; but, nevertheless, it has to some extent been general. All occupiers of Mill Property represent the price which they have been obliged to accept for their goods, in the larger part of their transactions, to have *been so low* as not to have realised to them any profit: this, I believe, has been the case too frequently, though perhaps not so generally as has been stated. Manufacturers have, however, been able not only to dispose of the stock of goods in hand at much less sacrifice than was apprehended, but in many branches there has been a demand for further supply, which could only be met by increasing the hands employed and the number of hours of work. The reduced price of all Raw Materials required for consumption has promoted, to a great extent, this activity; but much of it has been the result of a legitimate demand for goods, principally, I am informed, for Home Consumption.

"The Worsted and Woollen Manufacturing trades are those in which the greatest activity has prevailed. At one time every Worsted loom was at work, for which experienced hands could be obtained. The Worsted Spinning has not prospered in the same proportion as the Weaving, arising from the loss of demand for the Continent. Many Worsted Frames have never been set to work for months past. The Flax trade has been languid in comparison to the other branches, notwithstanding the very *low price* of raw material. It partook to some extent, and for a limited period, of the general improvement, and Yarns were in better demand; but my last reports from Leeds of this trade are less favourable, than when I was there myself last month, (that is, in September, 1848.)"

Towards the end of the year (1848) the depression of the Prices of Raw Materials of Manufacture became so great, and the stocks of goods had been so far reduced by limitation of production, that a reaction set in, founded on legitimate calculations of the state of the markets: and it appears from the following extract from a Circular of

Messrs. George Fraser, Son, and Co., of Manchester, dated 22nd December, 1848, that during the seven weeks preceding that date, the Rise of Prices in all the Manchester Markets had been about *ten* per cent.

"During the last month there has been a considerable further improvement in the business of our market. Transactions have taken place on a scale of unwonted magnitude, and embracing generally the whole of our staples, whether of Yarn or Piece Goods; and there has been a very decided and large advance of Prices. *The prices now current* (*22nd Dec.* '48), *compared with the most depressed period, at the end of October last, say* (*30th Oct.* '48), *are higher by about* TEN *per cent. This rise has been of a very steady and gradually progressive character*, the result of actual demand, which sprung up simultaneously on all hands, as the result of the very low rates to which goods and yarns had previously fallen. The advance is of a more hopeful character, because based upon a real demand for our manufactured articles from most of the leading foreign markets, the short supplies to which for some months previously, coupled with the great decline in prices, were offering to merchants the prospect of fair, and, in some cases, of large profits."

The Bank of England had reduced the minimum rate of Discount from 4 per cent. to 3½ per cent. on the 15th June (1848); and to 3 per cent. on the 2nd November ('48). At the latter date, the Total Bullion stood at 14 millions, and the Private Securities at 10½ millions. The market rate of discount was 2½ to 3 per cent.

Comparing the two months — October and December, 1848 — described in the extract just given as the periods between which prices had risen 10 per cent., we find as follows: —

Circulation of	Oct. '48.	Dec. '48.
Bank of England - -	19·6 millions	17·9 millions.
Country Banks (Great Britain)	10·0 „	9·4 „
	29·6	27·3

That is to say, the Outstanding Circulation had

fallen 2½ millions concurrently with a considerable rise of prices; and also concurrently with a stationary amount of Private Securities and Total Bullion at the Bank of England.

This partial recovery at the end of the year somewhat relieved the gloom of the period; but the Annual Trade Circulars issued at the close of 1848, described the results of the twelvemonth as exceedingly unsatisfactory. There had been a general decline of prices, arising from limitations of consumption; and the articles of Cotton and Timber, referred to in the following extracts, are scarcely exaggerated instances of the general tone of the commercial retrospects of 1848.

The following statement relating to the Cotton Trade is from the Circular dated 30th December, 1848, of Hollinshead, Lesley, and Co., of Manchester.

"The year (1848) commenced under rather favourable circumstances, and an increase in the consumption of cotton took place. But so many mills were either closed, or working short time, that even during the first four months of 1848 the price of Cotton was 25 per cent. below the full rate of 1846. Prices of Cotton advanced in the early part of this year upwards of ½*d.* per lb., with a prospect of going still higher, when the French Revolution stopped all further improvement. It was not, however, until other parts of the Continent became disorganised, that the trade of the country materially suffered.

"Cotton began to fall in value at the end of February, and kept gradually declining till the end of June, when the decline upon American descriptions amounted to fully 1¼*d.* per lb. The consumption was stationary during the first four months of 1848. It then began to increase, notwithstanding the bad state of trade, arising from the diminished continental demand: the low price of the raw material induced spinners to increase production, even whilst they had no adequate demand for the manufactured article: even stocks of the latter accumulated to a large extent.

"In July the increasing consumption caused a slight advance in prices; *but they commenced falling off again in September, under the pressure and panic arising from Railway Property;* and such was the depression, that prices of Cotton were forced down in October to the lowest point ever known before; fair quality of Uplands having been sold for 3⅝*d.* per lb., and confidence ceased to exist.

"Now that confidence is restored, and business again proceeds, it would appear that the whole world is almost bare of Cotton Fabrics. We hear no more of overstocked markets; and this is not surprising, considering the extremely diminished consumption of cotton, ever since spinners were first compelled to work short time."

The next extract relates to the Timber Trade, and is from the Circular of 31st December, 1848, of Churchill and Sims, of London: —

"It was in 1844 that low prices gave the impulse to an increased consumption of Wood. In 1848 a similar result has been attained, but at great sacrifices; consumption has been stimulated by concession in prices ruinous to the shippers and the importers, and alike prejudicial to the dealers holding stores for sale, to the manufacturers with materials prepared in anticipation of work, and to the Builders with unrealised property; and we estimate that *one third* of the value of wood has been sacrificed at the expense of the different interests engaged in the Timber Trade in 1848.

"For those who have had strength to avail themselves of this depreciation the opportunity has been more favourable than is likely to recur, for there can be no lack of confidence in ultimate improvement. *We seem to have reached a point of depression beyond the influence of future imports, lower freights, or even lower duty, if legislative charges can still be contemplated.*"

SECTION 3.

State of Credit — Depreciation of Railway Property — Condition of Trade — Course of Prices — in Year 1849.

The Year 1849 opened under somewhat hopeful circumstances.

A belief was entertained that by the election of Louis Napoleon to the French Presidency (20th December, 1848) the condition of France would become speedily settled; and it was not apprehended that any great peril was connected with the

internal disputes of other States of the Continent. At home the prices of food and raw materials were low; stocks of goods had been greatly reduced by limitations of production; and it was unquestionable that the interruption of industry on the Continent had diverted capital and employment to this country.

The minimum rate of Discount at the Bank of England remained at 3 per cent. per annum, as fixed on 2nd November, 1848; and the market rate was 2¼ to 3 per cent. The total stock of Bullion was about 15 millions, with a tendency to increase.

Authentic news had arrived of the Discovery of Gold in California, and the discussion of the probable effects to flow from the discovery became a prominent and constant topic, — the tendency being on the whole to expect that the New Supplies of Gold would produce speedy and marked effects on the prices of commodities and securities.

But the more favourable anticipations of the year were soon disturbed.

During the first two or three months the intelligence from India of the progress of the War in the Punjaub produced considerable uneasiness. The failure of the King of Sardinia at Novara in March; the intervention of Russia in Hungary in May; the expedition of the French to Rome in July; and the prevalence of revolution throughout Germany, were all unfavourable influences. In August and September there was the visitation of Cholera. The loud outcry of the Agricultural Party against the effects of Free Trade upon the land was maintained throughout the year.

But the cause which interfered most extensively and prejudicially with the Home Markets, was the renewed panic and suffering among the holders of all kinds of Railway Property consequent upon the exposures commencing in February (1849) of the Hudson malversations.

These exposures were continued, first from one Line and then another, throughout the spring and summer; and as the exhibitions of fraud and incapacity were unfortunately concurrent with the declaration of smaller dividends on several leading Lines, and the continued pressure of Calls, the distrust of all Railway Property became so great, that large masses of it were practically unsaleable.

At the end of September, 1849, the leading Railway newspaper of the day said: —

"The retrospect of the third quarter of 1849 "is the most dismal picture it has ever been our "duty to lay before our readers: gloom, panic, "and confusion appear to have taken full posses- "sion of the Railway Market, and a commensurate "depression in the value of all Lines, good, bad, "or indifferent, has been the result. A glance at "the Market will suffice to convey a knowledge of "the overwhelming depreciation which now exists "— a depreciation including even the principal "Lines — the main arteries of the internal traffic "of the country. Within the last few weeks "the Stock of the London and North Western "Railway has fallen 20*l.* per cent."

In some of the journals the loss in September, 1849, sustained by the then holders of Railway shares was estimated at so large an amount as 180 Millions sterling. The Economist of the 22nd September, 1849, commented on the losses and ruin to so large a number of persons arising out of the excessive depreciation of all Railway Property, and pointed out the effect of those losses, and of the decline of income entailed by the failing dividends upon the trade and consumption of the country; and the newspapers of the time abound with facts justifying this view.

As the year advanced the revival of the Foreign Trade; the low prices of many Raw Materials; but principally the effect upon the Working Classes of

the cheapness of food, and the extensive employment connected with the Railway Construction, led to greater activity.

For the six months ended with 30th April, 1849, Mr. Saunders, as Factory Inspector in Yorkshire, reported as follows:—

"After November, 1848, and for the greater part of the half-year ended 30th April, 1849, improvement was progressive. Latterly, however, the disturbances on the Continent, and higher price of raw material, may be deemed the principal causes why less activity prevails in all branches, except the better class of Fancy Goods. The general reports from the Sub-Inspectors, and my own observations, agree much in substance: Captain Hart reporting, however, that in his District the present slackness of trade has not reduced either the number of hands employed or the hours of work. Mr. Baker has entered more in detail on the general state of trade than the other Sub-Inspectors, and as I know he has been often led to make special inquiries on the subject, and to make calculations on the result of his inquiries, I will close this Report by laying before you his statement, which I have recently received:—

"'The state of trade, with reference to the Textile Manufactures of Yorkshire, during the period which includes the last two months of 1848, and the first four months of 1849, has varied so much from different circumstances, that it has been almost as difficult to describe it truly, as to hazard at the period an opinion of any movement or its termination. In the beginning of this period, stocks of Woollens and Worsteds were low, whilst of Linen Yarns there were more stock held probably than usual. Railway covers and Revolutionary blouses have not only absorbed the greatest part of the heavier qualities of yarns, but have induced many of the Flax Mill-Owners to turn their attention to the spinning more of them than heretofore, and to replace a considerable quantity of their fine spinning machinery with coarse. The price of the Raw Material, also, which has been so low as to almost guarantee a reasonable profit under any future circumstances, has induced the manufacturers to carry on their work very steadily, so that employment has been continuous, and I have no doubt profitable. The Woollen Manufacturers were exceedingly busy for a while in the early part of the year. Many of them, in fact, working thirteen hours and a half a day with relays of young children; but this temporary improvement, as a general rule, has passed.

"'Many of the largest Country Mills are only working now upon the average three days a week. In some districts it has been found necessary indeed, not only for the

'sake of employment, but for positive maintenance, to obtain 'garden allotments for the clothiers, who are thus eking out, 'by the cultivation of a half a rood of land each, the partial 'employment afforded them by the manufacturers. I fear 'that consignments of cotton goods often take the place of 'real demand, and that periods of apparent prosperity, *i. e.* 'of full work, are not always periods of legitimate demand. In 'some months the Worsted Trade has been exceedingly good, 'in fact flourishing. Turn-outs for Wages have not been un-'common, and 15*s.* a-week has been frequently given for good 'female weavers. That there is a greater adjustment between 'supply and demand in the Worsted Fabrics, in my opinion, 'than in any other, especially in the Bradford district, which 'produces so many of the pieces worn by the labouring and 'middle classes of all countries. Not only for some months 'now, have there been no spinning frames idle, but there has 'been a considerable addition made to the power-looms, and 'men have been employed for longer periods than the law 'allows to females. The spinner, who for three years must 'have been a great loser, has lately had an opportunity of re-'covering much of his former position, and the profits of the 'manufacturer must have been considerable. At the commence-'ment of the period referred to, wool was exceedingly low: 'what was bought by the spinners was well bought, and no 'doubt in considerable quantities.'"

And for the half-year ended 31st October, 1849, his further report is as follows:—

"With the single exception of some branches of the Cotton Trade, I have the satisfaction of reporting a continued improvement up to a late period, and with every appearance of a continued activity, at least for some months to come, to the extent to which it has now reached. There has been, as might be expected, a difference in the extent to which the improvement has affected different branches.

"The Worsted Stuff Trade, of which Bradford and Halifax are the great hives of industry, has been the one most active; this trade has never before reached anything like the extent to which it has now attained.

"Plain and Fancy Woollens have varied, as they always have and will vary, according to the season at which there are pressing demands for a stock of Summer or of Winter goods; but on the whole they have been very satisfactory. The Silk trade has been brisk and prosperous."

At the close of October (1849) there sprung up in the Colonial Markets a marked disposition to a Speculative rise of prices.

The tendency first manifested itself in Coffee, on the alleged ground of highly unfavourable reports of the crop in Brazil. From Coffee the speculation gradually spread to several other articles; and during November and December, and for the first week or two of January, the markets in Mincing Lane were decidedly under the influence of a class of purchasers not habitually connected with Colonial Produce, but attracted to it on purely speculative grounds.

At the end of December, 1849, the Banker's Magazine gave the following report: —

"During the last few weeks there has sprung up a speculative spirit of considerable strength in the markets for Colonial Produce. The movement was first observed in the article of Coffee; it then became apparent with a degree of suddenness in the article of Rum; it has subsequently extended itself, but in a much less marked manner, to sugar, to spices, and to some descriptions of metals. For the rise in the price of Coffee there may be some sound reasons; and perhaps, also, for the rise in the price of Rum. But there does not appear to be any such reasons as regards sugar. The advance in the price of Coffee since the early part of November (1849) has been about 6*s.* or 7*s.* per cwt., or equal to about 12 or 15 per cent."

But at the end of January, 1850, we find the following statement: —

"The speculations in Colonial Produce appear to have in some measure subsided, and the price of Coffee in particular has undergone a reaction."

The Bank of England reduced the minimum rate to 2½ per cent. on the 22nd November, 1849,—the former alteration having been to 3 per cent. on the 2nd November, 1848: —the rate, therefore, had remained at 3 per cent. for more than a year. In November, 1849, the Private Securities were low, say 9¼ millions; and the Total Bullion was 16 millions.

The state of the Outstanding Circulation in October, 1849, the commencement of the speculative rise of prices just referred to, and in De-

cember, 1849, the month during which the rise attained its highest point and greatest extent, was as follows:—

Circulation of	Oct. '49. Mlns.	Nov. '49. Mlns.	Dec. '49. Mlns.
Bank of England -	19·7	19·5	19·0
Country Banks (Gt. Btn.) -	10·0	9·9	9·4
	29·7	29·4	28·4

So that we have the phenomenon of a rapid rise of Prices taking place concurrently with a falling Circulation; and we have, moreover, the climax of the speculation in the month when the Circulation was lower than it had been for some time prior to any rise of prices whatever.

As regards the general character of the Trade of 1849, the following extract from the Circular of 31st December, 1849, of Messrs. Du Fay and Co., of Manchester, will convey a clear impression.

"The Year 1849 was begun by most commercial men with the confident expectation that it would prove the commencement of better times. It was hoped that the cycle of three years among the most eventful, if not the most disastrous, on record, had finished its course. But this hope was not fulfilled. Hostilities were renewed on the Continent, and the Punjab War raged in India. The Continental disturbances acted most detrimentally on commerce; and it was striking to notice how our markets rose and fell as the political barometer pointed either to a fair or troubled state of affairs abroad.

"In this fluctuating manner we reached the month of March, which was one of the gloomiest business months of the past year. The fear of a re-blockade of the Elbe and adjoining rivers, caused an almost total suspension of business to the Continent, and the War in India equally interfered with trade to that country. During April and May business continued unsatisfactory. But there was some revival in June and July. In August and September business at Manchester was almost brought to a stand-still by a continuous rise in the price of Cotton. In October great excitement took place in the Liverpool Cotton Market, and an advance of 5 to 10 per cent. was fully established in a few days.

"The Home Trade has by no means answered the expectations which were formed of it at the beginning of the year. We enjoyed the blessings of peace, and cheap prices of all articles of food; but the trade was not commensurate with such elements

of prosperity. We believe the causes of this may be found, (1.) In the great decline in Railway Shares since the exposés of mismanagement, and the downfal of Hudson in February, 1849; —the loss sustained in railway shares, as estimated by some parties, amounts to 80 millions sterling; (2.) The check given to business by Cholera, which continued several months; (3.) The alarm created in the agricultural districts by foreign competition and low prices of wheat."

And the following extract from the Circular of 31st December, 1849, of Messrs. Powell of London, engaged in the Hide and Leather Trade, refers opportunely to the effect of Free Trade in equalising prices, by rendering this country an *entrepôt* for a great part of Europe.

"One of the prominent features of the present period consequent on Free Trade measures,—to which we have in former Circulars alluded, — is the concentration of large stocks of Foreign Produce in England, making it an *Entrepôt*, not only for the advantage of our own country, but as a means of diffusing such imports to other nations, when assorted and adapted to their wants.

"This peculiar effect of the removal of restrictions, is yet in its infancy, but it is old enough to give an anticipation of what will be its vigour in its more advanced existence. To confine ourselves to our own department, — Hides and Leather, — we see its activity, not only in the greatly increasing exportation of Raw Hides, but also of Leather produce of the East Indies, of South America, of Australia, and the Continent of Europe; most of which countries take from us raw as well as manufactured goods suited to their peculiar requirements. The Exportation of Leather and Hides has been enlarged more than fourfold."

In concluding the description of the Two Years 1848 and 1849, we may with advantage present the following statement of the Prices of Twenty leading Commodities in January, 1848, and April, 1849 — accompanied by a statement of the amount of the Outstanding Circulation and of the prevailing rates of Discount at the two periods.

In stating the Circulation, the figures have been confined to the Outstanding Notes of the Bank of England, and of the Provincial Banks of Great Britain. Ireland is purposely, and necessarily,

omitted; because the effect of the Famine of 1846–7, was to reduce the Irish Circulation to an extreme and unnatural point of depression, the subsequent gradual and progressive recovery from which has been the effect of the general causes tending to the restoration of industry and confidence in Ireland.

The statements in detail from which the following Prices are obtained will be found in the Appendix (VII.).

COMPARATIVE PRICES. — *January*, 1848, *and April*, 1849.

I.			JAN. 1848.	APRIL, 1849.
COFFEE	Brit. Plant.	*cwt.*	25*s.* @ 128*s.*	20*s.* @ 100*s.*
SPIRITS	Rum, Jam.	*gall.*	38*d.* . 44*d.*	30*d.* . 34*d.*
SUGAR	Brit. W. I.	*cwt.*	21*s.* . 29*s.*	23*s.* . 27*s.*
TEA	Congou	*lb.*	8*d.* . 18*d.*	8*d.* . 21*d.*
TOBACCO	Virginia.	„	2¼*d.* . 5½*d.*	3¾*d.* . 6*d.*
II.				
COCHINEAL		*lb.*	52*d.* . 81*d.*	44*d.* . 64*d.*
COTTON WOOL	Bow. Geo.	„	4⅛*d.* . 6*d.*	4¼*d.* . 5*d.*
FLAX	Riga	*ton.*	44*l.* . 52*l.*	34*l.* . 40*l.*
HEMP	St. Petersb.	„	36*l.* . 37*l.*	30*l.* . 31*l.*
INDIGO	Bengal	*lb.*	12*d.* . 66*d.*	15*d.* . 66*d.*
LOGWOOD	Jama.	*ton.*	80*s.* . 85*s.*	95*s.* . 100*s.*
OIL	Gallipoli	*tun.*	44*l.* . 45*l.*	42*l.* . 43*l.*
SALTPETRE	Rough	*cwt.*	30*s.* . 32*s.*	28*s.* . 30*s.*
SILK, RAW	China	*lb.*	10*s.* . 16*s.*	12*s.* . 17*s.*
TALLOW	St. Petersb.	*cwt.*	44*s.* . 45*s.*	38*s.* . 39*s.*
TIMBER	Dant.	*load.*	80*s.* . 90*s.*	60*s.* . 75*s.*
WOOL, SHEEP'S.	Germ. secunda	*lb.*	22*d.* . 25*d.*	21*d.* . 23*d.*
III.				
COPPER	Tough Eng. cake	*ton.*	98*l.*	88*l.*
IRON	Best bars	„	8*l.* . 8¼*l.*	6*l.* . 7*l.*
TIN	Eng. bars	*cwt.*	83*s.*	90*s.*
IV.				
Bank of England Notes (incl. B.P. Bills) in hands of Public			19·64	20·00
Provincial Circulation of Great Britain			9·30	9·20
			28·94	29·20
Rate of Discount. — Bank Minimum			5 per ct. per an.	3 per ct. per an.
„ „ Market			4½ „ „	2½ „ „

We observe in this outline a considerable reduction in Coffee and Rum in April, 1849, as compared with January, 1848. Sugar, Tea, and Tobacco were without material change.

But in Raw Materials of manufacture the reductions in Price in April, 1849, were general and important. Cotton, Flax, Hemp, Oil, Tallow, Timber, and Wool were all cheaper to the extent of ten or fifteen per cent.; so were Copper and Iron.

The Outstanding Circulation, however, was not less, but greater by a quarter of a million.

SECTION 4.

Prices of Raw Materials — Rise in Price of Silver — Prices of Produce — in Year 1850.

At the opening of 1850 the Minimum Rate of Discount at the Bank of England remained at 2½ per cent., as reduced to that rate on the 22nd November, 1849; — the Bullion was gradually increasing; — the Private Securities were low; — and in Lombard Street good bills were readily discounted at 2 and 2½ per cent.

There was an absence of exciting topics — the trade of the country was moderately active — and the general impression pointed to the probability of a considerable recovery from the adverse influences of the two preceding years.

One of the earliest events of the year was the negotiation, through Messrs. Baring, in January (1850) of a Loan for Russia of 5,500,000*l.*, required, it was stated, for the completion of the Petersburgh and Moscow Railway. The terms offered were a 4½ Stock at the price of 93 — interest to commence from 1st January, 1850 — with provision for the reimbursement at par, at the end of each

year for fifty years, of 2 per cent. of the principal. The rate really offered was about 4*l.* 16*s.* 10*d.*; and the whole of the subscription was filled up in a few days, the scrip coming out at a premium.

In March (1850) a Loan of 800,000*l.* for Denmark was readily raised by Messrs. Hambro and Son in a 5 per cent. Stock, at the price of 90. The scrip sold for 2 to 3 premium.

In the report for the Half Year ended 30th April, 1850, Mr. Saunders reported as follows of the Manufactures of the Yorkshire District: —

"I continue to receive very satisfactory reports as to the State of Trade in all branches of manufactures throughout my District, except that portion engaged in Spinning low numbers of Cotton Yarns, or manufacturing heavy Cotton Goods. The general condition of the factory workers, as regards employment and their ability, by good wages and low prices, to obtain food and clothing, is also satisfactory.

"The extraordinary revival of trade is attributed to the combined operation of various influences. The great depression in a part of the Cotton Trade is attributable to the scarcity in the supply of the Raw Material more especially adapted to the branch which is so peculiarly affected. A fear is entertained that the increased machinery built recently for the Worsted Trade, may be followed with a similar reaction. Mr. Baker computes that in the year 1849 alone the Worsted Looms have increased their produce 40 per cent., and the Spindles 25 or 30 per cent., and they are still increasing at the same rate."

Mr. Saunders refers to the dearness of Raw Cotton; and the complaints on that ground were general throughout 1850. We shall see presently what was the state of the Cotton Market at Liverpool.

In the following extract from Mr. Horner's report of 30th April, 1850, from the Lancashire District, there is reference to the same difficulty of a great disproportion in the prices of the Raw and Manufactured Cotton goods.

"All the accounts I receive represent the Woollen, Worsted, Flax, and Silk Mills to be in an active and prosperous state:

and I have also received similar good accounts of the larger proportion of the different branches of trade in Print-Works. A considerable change has taken place in these works since the Act regulating them came into operation, in 1846, in respect of the employment of Children as tearers, by the substitution of machine printing for block printing. Thus one establishment that employed in that year 320 children, now employs only 30.

"From all parts of my District I hear of the great disadvantages under which the Cotton Factories are now, and for a long time past, have been working, from the high price of the Raw Material. This more particularly applies to those Mills in which the Coarser Yarns are spun, and the heavier fabrics are manufactured; because in them the raw material forms so much greater a proportion of the cost of production than it does in the finer qualities. The disproportion between the advance on the Raw Material, and that on articles manufactured from it, since May, 1848, will be seen from the following comparative statement of the prices of American cotton, and of some of the principal articles manufactured from these qualities at the two periods.

PRICES of COTTON in LIVERPOOL in the middle of MAY in each Year, taken from the CIRCULAR of an eminent BROKER.

I. RAW COTTON.

Description of Cotton.	Quality.	Year.	Price per lb.	Being an Advance of
Bowed and Mobile	Ordinary	1848	$3\frac{1}{4}$ to $3\frac{3}{4}$	Nearly 84 per cent.
" "	"	1850	$6\frac{1}{4}$ " $6\frac{5}{8}$	
" "	Good	1848	$4\frac{5}{8}$ " 5	Nearly 56 "
" "	"	1850	$7\frac{1}{2}$ " $7\frac{1}{2}$	
New Orleans	Ordinary	1848	$3\frac{1}{4}$ " $3\frac{3}{4}$	About 82 "
" "	"	1850	6 " $6\frac{3}{4}$	
" "	Good	1848	$5\frac{1}{2}$ " $5\frac{3}{4}$	About 38 "
" "	"	1850	$7\frac{3}{4}$ " $7\frac{3}{4}$	

And the following is the statement of corresponding prices of manufactured goods.

PRICES of MANUFACTURED COTTON GOODS at MANCHESTER in 1848 *and* 1850, *as supplied by a practical MANUFACTURER.*

II. MANUFACTURED YARNS AND CLOTH.

Goods.	Quality.	Year.	Price per lb and Piece.	Being an Advance of
			s. d.	
20-Water Twist -	Common	1848	– 6⅛	About 30 per cent.
	„	1850	– 8	
40-Mule Twist -	First	1848	– 8¾	„ 37 „
	„	1850	1 –	
166 reed T. Cloth -	24 yards	1848	6 6	„ 8 „
		1850	7 0	
40 reed Jacconets	20 „	1848	3 8	„ 25 „
		1850	4 7	

Mr. Horner's report on 31st October, 1850, was equally favourable as regards employment, and the general prospects of the manufacturers. He says:—

"The high price of Raw Cotton continues, as you are probably aware, to cause a considerable depression in this branch of manufacture, especially in those descriptions of goods in which the raw material constitutes a considerable part of the cost of production. In consequence of this many power-looms, and a good deal of spinning machinery, is unemployed. The great advance in the price of Raw Silk has likewise caused a depression in many branches of that manufacture. Trade in the Flax Mills has improved, and there is great activity in the Woollen Mills. There seems also to be a great confidence in the future, for New Mills are being erected at this moment, and in many places there is much new building of cottages and houses."

Some uneasiness was excited during the summer of 1850 by the dispute with Greece, and the discussions to which it temporarily gave rise with France. Attention was also excited by the vigorous attempts made in Parliament to dislodge

the Russell Ministry by a vote of censure on Lord Palmerston's Foreign Policy; and there was considerable speculation on the probable effects of the political agitation which would immediately have ensued on the formation of a Protectionist Cabinet.

The influx of Gold from California greatly occupied the public mind; and the interest in the question was much increased by the decree of the Dutch Government demonetising Gold.

The rate of Discount remained very steady till quite the end of the year, when the Bank of England raised their minimum rate somewhat unexpectedly from 2½ to 3 per cent. on the 26th December (1850). This step was perfectly justified by the facts of the case, for there was a considerable increase in the Private Securities; and a drain of Bullion to the Continent.

The Drain was traced to a temporary disturbance of the previous relative values of Gold and Silver, arising out of the effects produced by the demonetisation of Gold in Holland, in July, 1850.

The rejection of Gold from the Dutch Circulation, and the existence of a double standard in France, and other Continental States, led to somewhat novel combinations of leading elements in the calculation of the Foreign Exchanges. And as these occurrences were, perhaps, the first palpable evidence of the effect of the Californian Discoveries upon the course of trade in Europe, I avail myself of the following statement of the facts from the Banker's Magazine of January, 1851. The writer says:—

"The price of Standard Silver remains at 5*s.* 1½*d.* per ounce, being an advance of nearly 2½*d.* per ounce from the lowest price prevalent within the last four months (*i.e.*, Sept.—Dec. 1850). In the following Table we have brought together most of the facts which bear upon the present curious phenomena presented by the Foreign Exchanges.

1850. Weeks ended	Paris.			Hamburg.		Gold *dearer* in Paris than London.
	Paris on London, 3 m/d.	*London* on *Paris*, 3 m/d.	Prem. on Gold per Mille, at Paris.	Hamburgh on London, 3 m/d.	London on Hamburgh, 3 m/d.	
			Francs.			*Per Cent.*
26th July	25·27	25·65	9·	13·7¾	13·11	·11
24th Aug.	. 17½	. 57	8·50	. 7	. 11	·24
28th Sept.	. 15	. 32	7·50	. 6¼	. 10½	·16
26th Oct.	. 10	. 45	5·50	. 5¾	. 12	·26
23rd Nov.	. 25	. 35	3·50	. 2¼	. 4½	·36
21st Dec.	24·85	. 12	Par.	. 0¼	. 4	1·00

"The leading facts presented by this Table may be recapitulated as follows:—

"1. Between July and December, 1850, there has been a very marked fall, against this country, in the exchange with Paris; and this fall has taken place quite apart from any corresponding disturbance in the actual trade in commodities between the two countries.

"2. The same observation applies to the exchange with Hamburgh.

"3. There has been a marked fall in the premium on gold at Paris, notwithstanding that, during the progress of that fall, there has been no influx of gold into France from this country; and

"4. The fall in the premium on gold at Paris has been so rapid as to postpone until the 21st of December, 1850, the occurrence of a state of things which rendered gold so much dearer in Paris than in London (say 1 per cent.), as to render it profitable to send gold from hence to Paris.

"These are the facts which appear on the face of the table when connected with the notorious circumstance that little if any gold has been sent to the continent from England during the last six months, until within the last week or two, when, perhaps, a million or so has been exported. The enormous exportation of Silver is of course well known.

"An explanation of these facts, to some extent, is, perhaps, afforded by the following considerations:—

"The fall of the Exchange against England at Paris, from 25·27 on 26th July, 1850; to 24·85, on 21st December, 1850; and the similar fall at Hamburgh from 13·7¾ on 26th July, 1850, to 13¼ on 21st December, 1850, was of necessity occasioned by a superabundance of bills on London offering at these places; that is to say, the bill for 1*l.*, which would sell for 25·27

in July, would sell for only 24·85 in December, because more £'s were offering at the latter than at the former date. This increased quantity of bills on London appears to have been occasioned by the desire of foreign brokers and others to obtain Silver. The first seller of a bill on London, say at Paris, turned his bill into silver at once. The person who bought it at a proportionate price for the purpose of remittance to London, did so, in a great number of instances, with a direct view of having the proceeds of the bill returned to him from London in silver. Hence the rapid fall of the exchange on London at Paris; and hence, also, the rapid fall in the premium on gold at the same place, in spite of the non-arrival there of any gold from England.

"The exclusive and enormous demand for silver rendered gold an ineligible mode of remittance until the time should arrive when the fall of gold to par at Paris, combined with the state of the exchange, and the privilege of using gold in France as a legal tender, should at length render gold so much dearer in Paris than in London as to justify its exportation from hence. That time has now arrived; gold has begun to flow into France; and the probability is, that the recent anomalous state of things will be speedily corrected. When that correction has in some measure taken place, and the extraordinary demand for silver on the continent has ceased, the quotations of the premium on gold at Paris will be watched with much interest. If that premium should permanently disappear, or be replaced by a discount, there will be stronger grounds than there are at present for supposing that the Californian mines are beginning to disturb the relative value of gold and silver to each other. In the meantime we may rest content with the assurance that the real exchange between this country and the continent, as regulated by the trade in commodities, is not against but in favour of England."

In the early part of 1851 the Drain of Gold had ceased.

The following extract from the Circular of 31st Dec., 1850, of Messrs. Stead Brothers, of Liverpool, will show the highly disturbed state of the Cotton Market at Liverpool during 1850.

"In reviewing the Cotton Market during the year 1850, we shall assume Middling Orleans as a standard of prices. On the 1st January, 1850, this quality was worth 6¼*d.* per lb., being 50 per cent. *higher* than at the commencement of 1849, and also of 1848. Speculators came freely into the market early in 1850, basing their operations on the promising appearances of trade in the manufacturing districts, and the unfavourable prospects

of the crop of American cotton. Spinners kept aloof from purchases, and during January, February, and March the prices at Liverpool somewhat gave way.

"In April a change took place; spinners began to buy, and prices advanced. On the 29th (April) advices arrived from America of an exciting character as regards deficiency. The deficiency of the stock at the Atlantic ports was 500,000 bales. The price at Liverpool advanced to 7*d.* on the strength of these reports, and so remained during May and June. In July there were further reports of a deficient crop in America, and great excitement, and prices advanced to 8*d.* at the close of the month: that was the highest price of the year. There was a trifling reaction in August; in September and October a recovery; but in November a considerable fall, arising in apprehension of a War on the Continent. In December more activity; and the year (1850) closed with a price of $7\frac{7}{8}d.$ per lb., or nearly 20 per cent. higher than at its opening."

It appears, from this narrative, that the price of Cotton in September '50 was very nearly 30 per cent. higher than it had been in January '50; namely 8*d.* per lb. against $6\frac{1}{4}d.$ And as there is no Circulation of Country Notes at Liverpool and Manchester, it is curious to find that the Totals of the outstanding Notes of the Bank of England were very nearly the same at the two periods; and that, in point of fact, the Note Circulation of 1850 was singularly uniform in amount, notwithstanding the occurrence of those violent fluctuations in the price of the greatest Raw staple of the Import Trade.

In Coffee there were considerable fluctuations during the year. In January (1850) Native Ceylon Coffee sold for 65*s.* per cwt. under the influence of bad reports from Brazil, and speculative purchases. In June the price had fallen to 39*s.*, and the trade was dull. In September a speculation again sprung up in Holland, and during that month prices rose 11*s.* The final price of the year (1850) was 56*s.* The price, therefore, of this important article had fallen in June ('50) to a point 40 per cent. below the price of January ('50); and by the end of the year had risen 50 per cent. above the price of June. In Indigo and Silk there

were also some fluctuations, arising out of reports of deficient crops.

The following extract from the Circular of 31st December, 1850, of Messrs. Trueman and Rouse, of London, will show the state of the Sugar Market in 1850.

"In the Sugar Market, the year 1850 has been marked, on the whole, by a very steady maintenance of prices, the fluctuations till October having scarcely exceeded 1*s.* per cwt. The lowest point of depression was in the middle of April (1850), since when an advance has taken place of 3*s.* on the current quotations of West India and Mauritius; whilst on some East India sorts it at one time reached 5*s.* 6*d.* to 6*s.* 6*d.* per cwt., but has receded lately to 1*s.* 6*d.* to 2*s.* In the earlier part of the year expectations were entertained of large supplies during the season from several places of growth, particularly from Cuba, which it was calculated would yield 300,000 tons. These expectations were not fulfilled.

"The United States became a large buyer in consequence of the insufficiency for her wants of the crop of Louisiana, although it was a full average one. The supply of sugar in Europe for the first eleven months of 1850, is 24,000 tons short of the supply of 1849; and in the United Kingdom alone there is a falling off of 34,000 tons. Whilst the imports have diminished the consumption has gone on steadily. The stock of sugar in Great Britain at the close of 1850 is 25 per cent. less than at the close of 1849, namely, 93,000 tons against 123,000 tons."

And the following quotation from the Circular of Messrs. Tonge, Curry, and Co., dated 31st December, 1850, will indicate, by the increasing demand for Ships to which it refers, the decided recovery that was taking place in the trade of the country.

"New British ships have fully maintained our last quotations; indeed, we have felt the want of a larger supply of good vessels of 500 to 650 tons register, which would have met with a ready sale at fair prices if at hand. We have also had much inquiry for good vessels of this size, having from four to six years to remain A 1, but have not found owners of such disposed to sell. As regards Steamers, there is a very increased inquiry for both paddle and screw boats * * The business of the past year (1850) has been of a decidedly healthy kind.

Most of the sales have been made for cash, and we have the highest authority for stating, that mortgages taken on ships are very few as compared with previous years."

Among the most satisfactory circumstances of the commercial history of 1850, was a decided improvement in the prices of Railway Shares, and the diminution to a great extent of the more pressing difficulties of railway shareholders.

It may also be considered, that, as a general rule, there was a disposition in the latter half of 1850, in all the great markets for Produce, to look forward to considerably Higher Prices, on the two-fold ground of increasing consumption and of probable failures of the usual supplies.

SECTION 5.

State of Trade — Fall of the Prices of Produce — Effects of Hyde Park Exhibition — in Year 1851.

The Year 1851 opened with fair prospects. Great expectations were prevalent of the beneficial impetus to be imparted by the Hyde Park Exhibition to most descriptions of trade.

Prices of Colonial Produce were firm and rising; and already the export trade to the United States began to exhibit the influence of the large consumption in California. The unfavourable feature of the picture was the straitened means of the Farmers, arising out of the shortness of the harvest of 1850, and also in some degree from the transition from the old habits and arrangements of Protection.

The Bank minimum rate of Discount was 3 per cent., as fixed on the 26th December, 1850; and remained at that rate during the whole of 1851. In the money market capital was readily procurable at 2½ or 3 per cent. on first class bills.

The Factory Inspector's reports of the state of Trade in the Manufacturing Districts were not of the most satisfactory character as regarded extent of employment; but they bore full testimony to the powerful effect of Cheap Bread, Cheap Luxuries, and Cheap Clothing in mitigating the condition of the Working Classes.

Mr. Saunders reported from Yorkshire, for the half-year ended 31st April, 1851, as follows: —

"In October, 1850, I commented at some length on the information then recently obtained by means of a return of the number of persons employed in the different Mills and Factories, subject to inspection under the Factory Acts. I stated apprehensions to be then entertained, that a period of re-action was approaching. These fears have been to a great extent realised; and in various branches there has been a considerable quantity of machinery either unemployed, or working for a shorter period than for many previous months. This has not been extended to all branches of trade at the same time, or in the same degree. The department that has suffered principally has been the Spinning of Fine Worsted Yarns, and the manufacture of Fine Worsted Goods; and this is much accounted for by its previous rapid increase. * * *

"In the neighbourhood of Huddersfield nearly all branches of the Woollen Trade are represented to me by Mr. Sub-Inspector Bates to be at this moment very flat and depressed. As usual, the trade carried on in the immediate neighbourhood of Halifax, has been much steadier and sounder than in other parts of Yorkshire. The sub-inspector of that district, Captain Hart, states, that the remarks of the mill-owners, and others in all branches, convince him that since November, 1850, there has been material alteration and depression, but that nevertheless, with one or two exceptions, he has not observed any machinery thrown out of work, or hands discharged. In the southern part of my district, I find that a general depression has prevailed, but not to any marked extent; the sub-inspector is not aware of any firms having discharged superfluous hands, and but in a very few instances does he report that short hours are worked."

Mr. Saunders's Report for the six months ended 31st October, 1851, was not more favourable than the passage just quoted. He says: —

"I regret to have to report that Trade is very unsatisfactory in most parts of my District. Where the Mill-Owners have

reduced their hours of work below 10½, the number of hands dismissed have been few: this is otherwise when machinery has been stopped. The distress in both cases, however, which has generally followed from this state of trade, has been mitigated by the reduced price of food and clothing. Considerable apprehensions, are, however, entertained that much distress will be experienced, unless some alteration for the better take place as the winter and spring advance."

Mr. Horner's report from Lancashire for the same six months (ended 31st October, 1851) is more favourable than the accounts from Yorkshire. Mr. Horner gives the following statement of the increase of Factory Power:—

"You are aware of the great and steady increase in all the branches of trade affected by the Factory Acts since 1834, when the legislature first established an effective system for the regulation of labour in such works; proofs of which are found in returns and reports that have from time to time been laid before Parliament. That the profits of factories continue, on the average of years, to be attractively remunerative, the following facts of the investment of fresh capital in them abundantly prove.

"In the year ending the 31st of October, 1851, no less than 81 New Factories have been built or set to work (having been begun to be built in the preceding year) in my District (Lancashire chiefly), having an aggregate power of 2,240 horses. Of these Factories, 73, with 2,064 horse-power, are Cotton Mills. In addition to these new works, in 31 long-established Cotton Mills, the proprietors of which are men of thorough knowledge, and long experience in the trade, additional engine-power has been set up to the extent of 1,477 horses.

"The 3,717 horses' power will give employment to probably not less than 14,000 additional hands.

"To give you an idea of the magnitude of some of these new concerns, I may mention that one of the Cotton Mills is 410 feet long, 76 wide, has 6 stories, a power of 150 horses, and will run 126,000 spindles. It was only partially at work at the end of June."

As the year advanced difficulties began to accumulate in the Markets for Produce.

At Liverpool the price of Cotton has fallen at the end of May ('51) to a point as much as 60 or 70 per cent. below the prices current in the previous

January ('51), and during the summer great embarrassment and many failures were the consequence.

In June and July ('51) the accounts received from New York, of discredit and failures in that and other leading American Cities, rose to a pitch which excited no small alarm. It appeared that speculative investments in cargoes and goods to San Francisco were one principal cause of the pressure at New York. The Californian markets had become completely glutted, and for some time all new supplies of goods were wholly unsaleable.

Throughout July, August, and September, there was great depression in the Produce Markets of London and Liverpool. Prices had failed to correspond with the expectations formed; and had fallen considerably, instead of having risen. Supplies of produce continued to come forward in great abundance, and the consumption was not sufficiently rapid to prevent an accumulation of stock. Under these circumstances the bankruptcies were numerous and of serious character. Among the failures of largest amount, and among those which led to the most observation, was that of Castelli and Co., a firm engaged in the Levant Trade, and in extensive importations of Corn.

About the end of September (1851) the Markets began to revive. The reports from Manchester represented the Home Trade as decidedly better, and the Manufacturers as deriving confidence from the low price to which Cotton and other raw materials had fallen. In the Produce Markets also the reduction of prices had begun to augment the clearances for consumption.

In July (1851) a Loan of 3,500,000*l.* was raised by Messrs Hambro for the Sardinian Government. The rate was 85 in a Five per Cent. Stock. The subscription was filled up, but the scrip came out at a discount.

Early in September an attempt was made to

obtain in London subscriptions to a Loan of 7,000,000*l.* for Austria, the rate of interest to be 5 per cent; but the effort met with no success. Lists were opened at the leading continental cities, and at Vienna very violent measures were employed by the Government to force the scrip to a premium. These and other evidences of the financial exhaustion of some of the leading States, combined with the confident reports of an approaching *coup d'état* in France, exercised considerable influence, during the autumn of 1851, in restraining operations.

Attention continued to be directed, during the Spring and Summer of 1851, to the influx of Gold *into* France, and the substitution in that country of a Gold for a Silver coinage.

The French Mint was taxed to the utmost to convert into coin the quantities of Gold Bullion deposited with it; and had on hand, almost constantly, as much Bullion as would require five or six weeks' uninterrupted labour of the whole establishment, to render it into the form of Twenty Franc pieces. About October, however, this pressure was abated. The relative value of Gold and Silver in France was approximated so closely, that there was no longer sufficient inducement to force Gold through the Mint even at the expense of considerable delay.

The news of the discovery of Gold at Bathurst, in New South Wales, in May, 1851, was published in London on the 3rd September (1851).

Towards the end of the year several Gold Mining Companies were started on the Stock Exchange for explorations in California; but they met with very small favour from the public, and, with the exception of two or three, they had but a short career.

When the period arrived for taking a review of the twelve months, the retrospect was of a mixed character.

Great disasters and losses had befallen nearly all parties engaged in the importation of Colonial and Tropical Produce. The expectations entertained in 1850 of short supplies and greatly increased demand had not been fulfilled. Towards the end of 1851 the consumption had been larger, but too late to carry off the vast stocks. The Manufacturers had done better. But as the general result, the close of 1851 was distinguished by a range of prices, in almost every branch of trade and manufacture, *lower* than had prevailed for a very long period.

The Circular of 31st December, 1851, of Messrs. Du Fay and Co., of Manchester, takes a comprehensive survey of the year's experience. It says: —

"The World's Fair in London gave rise, six months before it was opened, to sanguine expectations: a great increase of Traffic on the different Railways, as well as an unusually large demand for articles of Food and Clothing, was speculated upon; and preparations were made to an incredible extent, the natural consequences of which were disappointment and loss. The large Inland Merchants, who had provided stocks at comparatively high prices, found few purchasers, the Home Trade having remained inactive. The London Merchants, in particular, complained loudly of the effect which the Great Exhibition exercised on trade. * * * The Produce-Market crisis which occurred towards the *end of August*, following the embarrassment in the Cotton Market, which lasted from May to July, led to great distrust and many failures.

"The decline in the prices of Cotton, and Produce of different kinds, has *varied from 25 to 35 per cent.* on the highest value of the year; and the sum which such a fall represents on the Year's Imports and the stock in hand cannot be less than 6 or 8 millions sterling: the loss on Cotton alone is estimated at 2 or 3 millions. But notwithstanding these enormous losses, the country was never before in a more prosperous state, nor trade more healthy.

"The Yorkshire Trade suffered greatly in 1851 by the high Prices of Wool, and by a fall in the prices of Worsted Yarns and Woollen Goods. The stocks of goods had greatly accumulated in the manufacturer's hands, owing partly to the unusual mildness of the previous winter, and partly to a too rapid extension of the manufacturing power.

"The Cotton Manufacturing Trade has, on the whole, been

satisfactory. The Raw Material, which averaged from January to June (1851) 6⅛*d.* per lb. for New Orleans Middling Quality, receded in the latter half of the year to the average price of 4⅞*d.* per lb. The manufacturers who have suffered most are those producing goods for India.

"The Home Trade, in nearly all its branches, was inactive during the greater part of the year, but it has improved recently."

The Circular (of 31st December, 1851) of Messrs. Marriott and Co., of Manchester, describes the state of the Liverpool Cotton Market during 1851.

"The year 1851 has been remarkable for the general tide of active prosperity which has attended the Manufacturing Interests; and not less remarkable for the anxiety, disappointment, and ruinous loss which have befallen nearly every branch of trade connected with the Importation of Produce. The year opened with a generally high range of Prices for Produce, and especially for Cotton, influenced by a diminished stock on hand, and a very discouraging promise of supply. Middling qualities of American were then quoted at 7¾*d.* to 8*d.* per lb. As the year advanced the promise of the supply from America improved; the stock rapidly accumulated here; prices as rapidly declined, and at the end of May (1851) the quotations had fallen from 7¾*d.* @ 8*d.* to 4⅞*d.* @ 5⅛*d.* per lb. Of this decline a large part occurred in *April and May*, upon a great increase of stock, and too rapidly to admit of holders finding material relief from current sales. Since May the trade has remained quiet at about the prices then established."

And the Circular (31st December, 1851) of Messrs. Trueman, Rouse, and Co. of London, gives a statement of the course of the Produce Market in 1851.

"In proportion to the sanguine expectations entertained at the commencement of the past year (1851), has been the amount of disappointment in its results.

"The fall in the value of all the leading articles has been continuous: *Sugar, Tea, Coffee, Cotton, Indigo, Silk, &c., are at present from 25 to 40 per cent. lower than they were a year since*, and so rapid has been the depreciation in many instances, that it has baffled the foresight of the most experienced. It is, therefore, a matter of congratulation, and a proof of the general soundness of the Import Trade, that so few firms have succumbed under the pressure.

"On the other hand, it is gratifying to remark, that the great bulk of the population were never in more easy condition; Employment has been almost universally abundant; *whilst the*

necessaries, and even the comforts of life, have been more within their reach than perhaps at any former period; and this has naturally led to a very great demand for all articles of general consumption, and for the Raw Materials of our industry.

"The question then naturally arises, why, with abundance of money and a large consumptive demand for produce, there should have been so great a depreciation in value?

"In 1850, prices had, in most cases, risen considerably above their ordinary level, from the expectation that the supplies in 1851 would be inadequate to the demand. The reports from the Producing Countries, in reference particularly to Cotton, Coffee, Indigo, &c. were very unfavourable. As the year drew on these anticipations were all found to be more or less illusory. From one source or another an ample supply was received, and hence the continuous fall. This, doubtless, would have been mitigated to some extent, but for the unsettled state of Continental Politics, which has precluded the Importer from the relief usually received from the Dealers and Middlemen, whose transactions have been studiously kept within the smallest possible compass; while of strictly speculative investments, there have been scarcely any."

To these general statements I have to add the following Table of Comparative Prices, in Jan. 1850, and Nov. 1851.

COMPARATIVE PRICES.—*January*, 1850, *and November*, 1851.

I.			JAN. 1850.	NOV. 1851.
COFFEE	Brit. Plant.	*cwt.*	35*s.* @ 100*s.*	35*s.* @ 80*s.*
SPIRITS	Rum, Jama.	*gall.*	27*d.* . 32*d.*	26*d.* . 28*d.*
SUGAR	Brit. W. I.	*cwt.*	23*s.* . 27*s.*	18*s.* . 26*s.*
TEA	Congou	*lb.*	10*d.* . 21*d.*	8*d.* . 18*d.*
TOBACCO	Virginia	„	5*d.* . 6*d.*	4*d.* . 11*d.*
II.				
COCHINEAL		*lb.*	48*d.* . 63*d.*	33*d.* . 57*d.*
COTTON WOOL	Bowed Geor.	„	5½*d.* . 6¾*d.*	5*d.* . 6*d.*
FLAX	Riga	*ton*	34*l.* . 42*l.*	42*l.* . 48*l.*
HEMP	St. Petersb.	„	31*l.*	31*l.*
INDIGO	Bengal	*lb.*	18*d.* . 65*d.*	21*d.* . 75*d.*
LOGWOOD	Jama.	*ton*	85*s.* . 90*s.*	65*s.* . 70*s.*
OIL	Gallipoli	*tun.*	48*l.*	40*l.*
SALTPETRE	Rough	*cwt.*	25*s.* . 28*s.*	24*s.* . 28*s.*
SILK, RAW	China	*lb.*	14*s.* . 19*s.*	14*s.* . 20*s.*
TALLOW	St. Petersb.	*cwt.*	39*s.*	37*s.*
TIMBER	Dant.	*load*	60*s.* . 70*s.*	50*s.* . 65*s.*
WOOL, SHEEP	Germ. sec.	*lb.*	26*d.* . 32*d.*	24*d.* . 28*d.*

III.			Jan. 1850.	Nov. 1851.
Copper	Tough Eng. cake	*ton*	84*l.*	88*l.*
Iron	Best bars	„	6*l.*	5½*l.*
Tin	Eng. bars	*cwt.*	81*s.*	85*s.*

IV.		
Bank of England Notes (incl. B. P. Bills) in hands of Public	20·22	20·96
Provincial Circulation of Great Britain	9·50	9·90
	29·72	30·86
Rate of Discount.—Bank Minimum	2½ per ct. per an.	3 per ct. per an.
„ „ Market	2¼ „ „	2½ „ „

We find, in this Table, a decline of frequently 20 to 30 per cent. in nearly all the principal articles.

Coffee, Sugar, Tea, and Tobacco, were 25 per cent. cheaper in Nov. 1851, than in Jan. 1850; so were Cotton, Logwood, Oil, Saltpetre, Timber, and Iron; and yet we find, that at the period when prices were thus reduced, the Circulation was more than a million higher than when prices were at their maximum.

We have learnt, from the various Circulars, that 1851 was a year of extensive and ruinous fluctuations in prices, and of fluctuations upon the largest scale; and yet it was a year of remarkable steadiness in the amount of Circulation, in the rate of Discount, and in the price of the public securities.

The *highest* monthly average of the Bank of England Circulation was in July (1851), when the amount was 21,400,000*l.*; and yet July was among the gloomiest months of the whole twelve.

The *lowest* monthly average was in Dec. (1851), when the figures were 19,900,000*l.*; so that there was a difference of only 1½ millions between the extreme points of the scale.

The Bank minimum rate remained at 3 per cent. (as fixed 20th Dec. '50), during the whole of 1851; and the market rate was about 2½ to 3 per cent.,

with a decided tendency to decline. The Price of Consols varied between 96 and 98.

To what then are we to trace the violent fluctuations of prices in 1851? One of the Circulars just quoted gives the answer very plainly, namely: — "In 1850, Prices had in most cases risen considerably above the ordinary level, from the "expectation that the supplies of 1851 would be "inadequate to the demand. The reports from "the producing countries, in reference particularly "to Cotton, Coffee, Indigo, &c., were very unfavourable. As the year 1851 drew on, these anticipations were all found to be more or less illusory, "and prices fell."

If this explanation be insufficient, it is not likely that any theory of Currency or Bank Notes will point out any cause more satisfactory.

SECTION 6.

Effect of Australian Trade — Increasing Activity — of Year 1852.

The discredit in the Produce Markets, which had been so severely felt in 1851, reappeared in some degree during the first two months of 1852. But in almost all other respects, the year opened favourably. Some distrust was occasioned by the then recent *Coup d'Etat* in France, and by perplexities in other parts of Europe.

The Bank reduced its minimum rate from 3 to 2½ per cent. on 2nd Jan. (1852); and further reduced the rate to 2 per cent. on the 22nd April (1852). About the latter date, the Total Bullion exceeded 20 Millions, and Consols were at Par.

About May, there set in an enormous and increasing tide of Emigration to Australia.

Deputations had arrived from Sydney and Melbourne, urging the necessity of large supplies of labourers; and the persons engaged in the Woollen Manufacture aided the cry, under the apprehension that the Wool Clip in Australia would be seriously jeopardised by the desertion of shepherds for the Diggings. For a considerable period, Emigrant Vessels could not be despatched from this country with a rapidity at all proportioned to the demand.

One of the most remarkable circumstances connected with the Australian Discoveries, was the extraordinary rise in the value of the Shares of the Australian Agricultural Company, — a company of great respectability, which had been established in London, since 1825, for the purpose of developing a large tract of land near Sydney, in New South Wales. Towards the close of 1852, news arrived that Gold had been discovered on the estate of the Company. The shares were 35*l.* paid, and had been quoted for some time at 15*l.* each. They rose rapidly to 90*l.*, then to 150*l.*, and then to 300*l.*; and remained at the last-named price for a few weeks. Ultimately, however, it appeared that the estate did not contain any large quantity of gold, and the shares gradually declined in price.

From July to November (1852), there was considerable activity in the formation of New Joint Stock Companies; and Railway, Mining, Emigration, and other Companies were plentifully announced. This circumstance in the history of 1852, will be found to be alluded to more at length in the Fifth Part of these Volumes, relating to Banking.

In the Manufacturing Districts, Trade was exceedingly brisk, and employment abundant. The Poor Rates, in nearly all parts of the country, exhibited a marked decline. The demand for Artisans connected with Shipbuilding was excessive; and

the movement for a rise of Wages, which commenced in the latter months of 1852, was first manifested in the Shipbuilding Trades.

The Imports and Exports of the Precious Metals into and from this country in 1852, attained a magnitude far greater than that of any former year.

At the close of the year, the Morning Chronicle stated, that, according to inquiries carefully instituted by it, the following figures might be taken to represent, with approximate accuracy, the magnitude of the Imports and Exports of the Precious Metals, and of Specie, viz.:

1852. Three Months.	Gold and Silver Bullion *Imported* into United Kingdom.			Gold and Silver Coin *Exported* from United Kingdom.		
	From Australia.	From Other Places.	TOTAL.	To Australia.	To Other Places.	TOTAL.
	Mlns. £	Mlns. £	Mlns. £	Mlns. £	Mlns. £	Mlns. £
Jan.—Mrch.	·14	3·64	3·78	·10	1·88	1·98
Apl.—June -	2·67	2·73	5·40	·42	1·66	2·08
July—Sept.-	1·19	3·98	5·17	1·21	2·07	3·28
Oct.—Dec. -	3·28	2·70	5·97	1·21	3·94	5·15
	7·28	13·04	20·32	2·93	9·56	12·50

This Table does not distinguish Gold from Silver. But the Imports from Australia were wholly Gold, and so were the Exports to Australia. The Imports from other places were partly Silver; and of the Exports to other places — India, for example — the exports were principally Silver.

The Annual Circulars at the end of 1852 were exceedingly favourable.

The following extract from the Circular (31st Dec. 1852) of Messrs. Trueman and Rouse, of London, will show the state of the Sugar Market in 1852; and it may be said generally, that in all the Produce Markets the business of the year was

steady, with prices gradually improving, principally under the stimulus of larger demands for consumption. The Circular says:—

"At the commencement of 1852, the Sugar Market was much depressed; but the low prices then ruling so greatly stimulated the deliveries, both for Home Consumption and Export, as to show a large increase at the end of June as compared with the first six months of 1851; and at this period prices attained a higher range by 2*s.* to 3*s.* per cwt. on British Colonial, and 3*s.* to 5*s.* on Foreign descriptions, than on the 1st Jan. (1852).

"During the second half of 1852, there was, on the whole, less animation; but prices, after declining in August to nearly the lowest point, have again rallied; and, at the close of the year, are about 1*s.* above the highest quotation of the twelve months. On the Continent, particularly in Holland, the consumption of Cane Sugar has very largely increased."

The Circular of Messrs. Du Fay and Co. informs of the state of the Cotton Market at Liverpool, in 1852.

"The unprecedented fall in the prices of Produce, chiefly Coffee and Sugar, which began in August, 1851, did not cease with that year, for the panic in Mincing Lane reached its height in the first month of 1852. In February ('52), the aspect of political affairs interfered with the Continental Trade; but the failures had ceased, and money was very abundant. The abundance of money continued in April, without, however, leading to any speculative tendency. The accounts from America were decidedly in favour of a large Cotton Crop, and prices receded in Liverpool. The Yorkshire Trade suffered severely in April from the falling off of the demand in Germany, where high prices of food prevailed.

"In August the accounts from America relative to Cotton, led to extensive transactions on this side, at slightly advanced prices. In September prices rose further. In October there was extreme excitement in the Liverpool Cotton Market. Exaggerated notions about the actual consumption of the article—vague accounts about an immense increase of the manufacturing power—and erroneous statements of the probable stock at the close of 1851, raised the prices of Raw Cotton unnaturally.

"But in November there occurred a reaction, and prices receded faster than they had risen; for Cotton fell from 12 to 13 per cent. during the month; and a slight recovery which took place was not maintained."

The Circular of Gibson, Ord, and Co., of Manchester, describes, in the following favourable terms, the state of the Manufacturing Districts: —

"We have never known, in our long experience, a year of greater activity in the Cotton Districts than 1852. The consumption of the raw material is without a precedent, being 37,000 bales weekly, against 32,000 bales in 1851, and 29,000 in 1850. Still we have not had overstocked markets, either at home or abroad; and at the present time, the stocks, both of Yarn and Goods, are small, and there are in hand very extensive contracts. Our spinners and manufacturers have had a prosperous year, and our operatives have exhibited a contentedness and cheerfulness beyond what we have ever before witnessed."

And, lastly, the Circular of Hughes and Ronold, of Liverpool, gives the following summary of the Wool and Woollen Trade,—the Trade which, early in 1852, appeared to be seriously jeopardised by the scarcity of labour in Australia.

"The state of the Wool Trade throughout 1852 has been in the highest degree satisfactory; employment has been plentiful; and both importers and consumers have found profitable scope for their enterprise. The Home demand for Woollen goods has been unusually large. * * During the first three months of 1852, there was a very animated demand for Wools, and most descriptions advanced 10 per cent.; but as the Clip approached, prices receded to about the same extent, and until October, were marked by little variation. Since October ('52), prices have been steadily looking up, but it is only during the month of December that any decided advance has taken place; and at the close of 1852 they may be quoted, on the average, about 15 to 20 per cent. above the corresponding prices at the close of 1851. * * We consider that the present prices are fully warranted by the large scale of consumption of the past three years, which, it is well known, has far exceeded the growth; and hence it is easy to understand the cause of the diminished stocks, of which we hear on all hands."

SECTION 7.

State of Trade — Rise in the Rate of Discount — Anticipations of the Future — in the early part of 1853.

We have now arrived at the period which is, probably, the most interesting and important of any of the Nine Years embraced in the compass of these Volumes.

The Year 1853 witnessed the climax of the first series of effects arising from the Discoveries in California and Australia. For the rising Prices,—the expanding Consumption,—the growth, month by month, of the Export Trade,—the demand for more Ships,—the requirements for more Labour of every kind,—which had marked the later half of 1852, attained for a time their highest pitch in the first nine months of 1853.

It was also during those nine months that measures were propounded to Parliament, and adopted by it, for enabling the public to convert Three per Cent. Consols into a New Stock, bearing only Two-and-a-Half per Cent. Within the same period, also, the movement of the working classes for Higher Wages attained its greatest development.

The closing months of the Year brought many reversals and correctives of the excitement of the earlier portion.

The possibility of European War had become almost a certainty; an exceedingly Bad Harvest had aroused serious apprehensions as to the supply and price of food; the rate of interest had risen so rapidly, that for some weeks there was financial pressure; a sharp revulsion had occurred in the demand for goods for Australia, for the markets there were already glutted; and the demands for Higher Wages were met and defeated by those

contractions of demand which had cut down the fund out of which alone wages of any kind could be paid.

Relating to a period so interesting and critical, I shall not hesitate to enter into details more extensive than have been given of the years preceding.

The opening of 1853 was marked by two measures of the Bank of England for raising the minimum rate of discount.

That rate had been 2 per cent. since April, 1852: on the 6th Jan. 1853, it was raised to $2\frac{1}{2}$; and on the 20th Jan. to 3 per cent. The total amount of Bullion had been 22 millions in July, 1852: in Jan. ('53), the Bullion had fallen to $19\frac{1}{2}$ millions; and the Private Securities had risen, from 11 millions in Nov. ('52), to 14 millions.

But the maintenance for nine months of a Rate so low as 2 per cent; the constant arrivals of New Gold; and the evidences of a great prosperity on all sides, had produced a moral effect on the public mind so strong, that the rise of the minimum rate in Jan. 1853, excited very general surprise, and led to some loud expressions of discontent.

There had occurred in 1852, what has always occurred under similar circumstances of a very low rate of interest, advertised and fostered by the Bank of England. The great mass of the trading public had assumed, or persuaded themselves, that, because the Bank of England had thought it consistent with its public duty and its general interest to maintain for a considerable period a rate of Two per Cent., it was a safe and admissible course to enter into large and distant engagements; and when the course of the Bank was changed, there was an evident disposition to find fault; and to affirm that if the sudden augmentations of Jan. 1853, were necessary, the

extreme depression of April, 1852, ought not to have taken place.

From the Morning Chronicle of 18th Jan. 1853, I extract the following passage; not only in order to show the tone of criticism which had followed the rise to 2½ per cent. of the 6th Jan., but also to show the general views entertained, at the opening of 1853, of the prospects of the immediate future: —

"It is, indeed, alleged that the considerations to which we have alluded afford a technical rather than a substantial vindication of the measure adopted by the Directors. It is said that, while there may be theoretical reasons why the Bank should pursue a particular course on the occurrence of certain changes in its condition, those reasons are not applicable to the present time— that a new state of things requires a new mode of treatment; and it is contended that the existence, in the vaults of the establishment, of an aggregate reserve of Twenty Millions of Treasure;—the continued influx of gold from Australia;—and the remarkable prosperity of every industrial interest of the country, render former precedents and maxims inapplicable.

"The fallacy of this argument lies not so much in the unsoundness of its premises, as in the attempt to deal on purely speculative grounds with a difficulty which is altogether practical.

"It may or may not be true, that a Reserve of twenty millions of coin and bullion, the influx of Gold from Australia, and the general prosperity of the country, constitute what is called 'a new 'state of things.' The lapse of time alone will enable us to form a decided opinion on this subject; but, in the meanwhile, it is neither the proper business nor the legitimate policy of public functionaries, charged with the administration of a great financial institution, to act on speculative

data. Even if the alleged 'new state of things' were more indisputably apparent than it is, it would still be the duty of public bodies not lightly to commit themselves to untried courses. It admits, however, of serious doubt, whether the sanguine views of those persons, who deem the recent measure of the Bank an uncalled-for interference with Trade, are not essentially erroneous, or, at least, highly exaggerated.

"What are the facts brought forward in support of that opinion? They are threefold: First, the extraordinarily large stock of Bullion held by the establishment; secondly, the importations of Gold from Australia; and thirdly, the high prosperity of the Trade and industry of the country. But before we can place unreserved reliance on any inference drawn from these facts, we must examine the deductions and qualifications to which they require to be subjected.

"The Twenty Millions of Bullion are, no doubt, a great source of security; and, if no change had taken place in the commercial relations of the world, since the period when the Bank used to be deemed remarkably strong with a Total Reserve of Ten or Twelve millions, the argument based on this fact would certainly possess considerable weight.

"But, in the first place, we must remember that the total reserve is now cut in two, and that—wisely or unwisely—the present Charter of the Bank renders the Reserve of the Banking Department the material point for consideration, so far as the rate of interest is concerned. Moreover, the usual channels and operations of trade are now adjusting themselves to the new gold discoveries; and it is by no means certain—perhaps, it is not even probable—that the vaults of the Bank of England will henceforth be the necessary destination of a very large proportion of the world's additional supplies of that metal.

"At the end of last July, the total quantity of Gold in the establishment was Twenty-two Millions; it is now considerably under Twenty Millions; and it would be a rash prediction, to say that, a few months hence, it may not be less than Eighteen or Seventeen. But this is not all.

"Both the Reserve in the Bank, large as it is, and the Australian and Californian influx, abundant as it may be, are circumstances which possess merely a relative value. It is undoubtedly true that, six years ago, a reserve of twenty millions would have been justly regarded as placing the Bank of England in a position of perfect security. But circumstances have altered, and it may reasonably be questioned—considering the important financial changes which may arise out of the gold discoveries, the alterations of price, the increase of production, and the extensive ramifications of commercial activity and enterprise—whether, so far as safety is concerned, the augmentation of our resources is as great in reality, as it is in appearance.

"There remains the argument founded on the general prosperity. We gladly admit the fact to the fullest extent. We believe that, to a very great degree, it is a real and *bonâ fide* prosperity—a prosperity including within its beneficent influence, not only the capitalist, but also a very large portion of the industrial population. And it is because we are anxious to retain this prosperity intact, that we watch with extreme suspicion the appearance and growth of any influence, which is calculated to mar it, by generating rash and excessive speculation.

"It is notorious, however, that such influences are, and for some time have been, at work. Not to speak of the present mania for the concoction of joint-stock companies, it was only yesterday that we recorded the fact that, during the last three months, the market value of one of the great staple

products of this country (Iron) has been nearly doubled; and that, too, after a long-continued previous rise of price. It is well known that a similar pernicious tendency prevails in France; whilst, in the United States, also, we perceive a degree of activity, enterprise, and speculation beyond any former precedent.

"We are convinced, therefore, that even the present flourishing condition of the country affords no reason for impugning the policy of the measure lately adopted by the Bank; and the time is come when, if we desire the stability and the continuous increase of the existing prosperity, we must welcome any occurrence which forces the mercantile community carefully to measure their engagements for the future, against the resources on which they can prudently rely."

The Minimum Rate remained at 3 per cent. from the 20th Jan. ('53), to the 2nd June ('53). It was then further raised to 3½ per cent. The Total Bullion in June ('53) was 18½ millions, and the Private Securities 13½ millions.

The measure of the 2nd June led to renewed discussion.

The resolution of the Directors of the Bank of England to adopt 3½ per cent. as their minimum rate of discount, established a rise in the rate of interest on Bills of Exchange, and on commercial securities of an analogous character, fully equal to 1½ per cent. in the space of little more than five months. So important an alteration in so short a time, and one so little corresponding with views and anticipations which were very generally entertained, could hardly fail to excite attention.

In the autumn of 1852, the condition of the money market, as regarded the rate of interest, was very different from what it was in June, 1853. At the former date, the Bank of England minimum

rate was 2 per cent. —the total stock of bullion in the two departments of Banking and Issue was larger than at any former period — and, apparently, the prospective arrivals of Gold from Australia and other places could not fail to increase largely a reserve which was already considered excessive. The effect of this state of things out of doors was very marked. It was very generally supposed that the Rate of Interest must be regarded as permanently reduced, in consequence of the rapid increase of money capital — the immediate result of the importations of gold; and there can be no doubt that large transactions between borrowers and lenders were materially affected by views of this nature. The rate of interest on advances previously made was reduced; and new advances were obtained on easier terms than had been before known.

Nor was this all. The reduction of the rate of interest; the apparent abundance of capital seeking employment; and the confident opinions which were entertained and expressed as to the continuance of such a state of things, had gradually generated a spirit of Speculation, bearing a close resemblance, in its boldness and diffusion, to the early stages of the great speculations in Joint Stock Companies and Banks of 1836; and in Railways of 1845. The formation of public companies was, as in those years, the most striking and conspicuous form in which the tendency in question manifested itself. But there had also sprung up an extensive speculation in several kinds of Commodities, particularly in Metals, and in some descriptions of Russian produce. Nor was the universal activity the mere result of speculation. A large, a profitable, and an increasing business was to be found in nearly every part of the country. There was a sound and vigorous demand for nearly all the articles produced by our artisans and manufac-

turers; and a movement had been already commenced by the working classes for obtaining higher Wages.

Such was the state of things in the closing months of 1852.

In the first week of January ('53), the Bank of England raised its rate of interest from 2 to 2½ per cent.; and that measure, taking the public very much by surprise, led to discussions and investigations which were of infinite service in correcting many prevalent opinions. It was found that the Foreign Trade, notwithstanding the rapid increase in the value of our Exports, was in a condition which seriously affected the rates of exchange; for it had led to an export of Bullion from this country, of sufficient magnitude not only to carry off, as they arrived, the supplies from Australia, but also to diminish the stock of bullion previously in the possession of the Bank of England. And it was also found that, whatever might have been the previous theories as to a necessary reduction of the Rate of Interest, the time had arrived when the Directors of the Bank of England, guided by the ordinary rules of that establishment, could no longer discount bills at the low rate which had prevailed for some months. In short, it became clear that, whatever might be the cause, there had been some precipitation in concluding that the supply of capital in this country had become so much greater than the demand as to render necessary a sensible reduction both in the rate of discount and of interest;—that is to say, both in the rate at which money or capital is advanced on mercantile securities for short periods, and also in the terms on which capital is advanced on mortgages, debentures, and analogous securities of a permanent character for long periods.

A second rise of the Bank Rate took place, from

2½ to 3 per cent.,—and the increase of the 2nd June ('53) further raised the minimum rate to 3½ per cent.

The question then became, in what essential respects were the circumstances affecting the rate of interest different from what they had been in November or December 1852, when there was a general opinion that 2 per cent., instead of 3½, correctly represented the value of capital seeking employment in the discount of bills of exchange?

The question was a large one, and not readily answered, but some considerations might be suggested which would elucidate it.

In the first place, it was admitted that there was reason to believe that 2 per cent. was a rate not really justified by the facts of the case. The extreme pressure of capital seeking employment during the summer and autumn of 1852, arose, probably, almost wholly from one cause, and that cause of a transitory character — namely, the rapid and excessive accumulation in the hands of the Bank of England, and of other dealers in money, of the earlier importations of Gold from Australia. A considerable period elapsed between the first arrival of Australian Gold and a commencement of the vast consequences to which it was manifest that the Gold discoveries must lead. During that period it was, perhaps, inevitable that false appearances should present themselves, and that false inferences should be drawn. The Public saw the rapid elevation of the Bullion Reserves of the Bank — they heard of the untold treasures of the land from which those reserves were derived— and they knew that almost every day brought into our harbours ships laden with further additions to a stock of gold already without precedent. It was not unnatural that such a state of things should foster unduly sanguine anticipations.

The difference which existed between the autumn of 1852, and the summer of 1853, as re-

garded the rate of interest, may be mainly ascribed to the decided development which had taken place of some of the consequences arising out of the Gold Discoveries.

The country had begun to feel the effects of the impetus which had been given to every kind of enterprise and industry; and the higher rate of interest in 1853, instead of being traceable to commercial difficulty or panic, seems rather the natural result of a state of things in which the price of the use of capital had been raised because the demand for it was so far in advance of the supply as to enable capitalists to obtain more advantageous terms. It was not easy to lay down any specific rules or tests by which to ascertain whether or not we had reached what might be called a normal condition under the altered circumstances. It was clear that 3½ per cent. was a rate of discount likely to exercise considerable influence on the supplies of capital for really useful purposes. It was a rate which, if likely to be maintained, would effectually diminish investments in foreign securities, and discourage merely speculative adventures. At the same time, the circumstances operating on the demand for capital were such that it was not very unlikely that the rate of interest might be still further increased—and quite independently of any of those accidental political causes to the influence of which we are always liable.

Among the most remarkable of the commercial phenomena of the nine months preceding June, 1853, had been the steady continuance of the Export of Gold from this country to the continent of Europe, and to other places besides Australia.

The exportation of Gold to Australia had arisen from peculiar causes. The export to foreign countries was still going on, and was likely to do so—in spite of the great expansion of the Foreign Trade, and in spite of an export of Commodities exceeding that of any preceding period. Large as might be the

value of the commodities sent away, the continual transit of gold was sufficient to prove that, with some of the countries with which we trade, there was a balance against this country to be paid in bullion. In other words, our demand for foreign commodities was so great, as to absorb the whole of our vast exportations of Goods, and also the whole of the Gold which came to us from Australia. Hence it was clear that the consumption and production then going on in this country were enormous and unexampled.

It was admitted, also, that at the bottom of the vast consumption of every description of manufactured and imported articles, was the important rise, which had been established during the first six months of 1853, in the Wages of nearly all kinds of labour, and more especially in the wages of Artisans. Speaking generally, the advance was probably not less than from 15 to 20 per cent., and in several trades and districts it was as much as from 20 to 25 per cent. Some part of the vast sums implied by these rates of increase in the weekly income of millions of the population, was, no doubt, laid by as capital; but the great bulk of it went to increase the demand for articles of comfort, convenience, and luxury; and it was seen that in the consequences flowing, directly and indirectly, from that demand, the true explanation must be sought of many of the changes which had taken place in the markets for capital.

Such was the general train of reflection in the earlier months of 1853.

Mr. Gladstone's Financial Statement—now become memorable—was made on the 18th April ('53).

It proposed an elaborate scheme for the liquidation or conversion of the South Sea and other small amounts of Stock, and for creating a New Two-and-Half per Cent. Fund, which the Government and Parliament were disposed to believe might

gradually replace the Three per Cents. It also proposed a new form of transferable security, to be called Exchequer Bonds. Books were opened at the Bank of England on the 10th May ('53), for the registry of applications under these new schemes; but the progress made was very trifling.

On the 16th May the rate of interest on Exchequer Bills, to be renewed in June, was reduced to the extremely low rate of 1*d.* per cent. per diem, or 1½ per cent. per annum; and this announcement was very naturally followed by considerable discussion. Consols were a trifle above par, and money was already in increasing demand. The effect of the notice was to reduce Exchequer Bills to a discount.

To some extent this measure of the Government tended to confirm and continue the disposition of a large part of the public to expect low rates of interest, at a moment when there were abundant evidences of a demand for capital fully commensurate with the supply; and so far its effect was specifically unfortunate. But beyond this general consideration, the experiment, in its results, entirely confirmed the soundness of the policy which inculcates the avoidance of all reductions of the rate of interest on the Floating Debt, of a character so extreme, as to disturb the calculations, and shake the confidence, of the class of Bankers and money dealers, who, by the peculiar nature of their business, are led to select Exchequer Bills as the form of security upon which to employ their surplus balances.

The real gain of the public, as a borrower on floating obligations, is not promoted—but the reverse—by attempts to assimilate them too closely to the deposits held by a Bill Broker. The true medium to be sought is such a rate of interest as will preclude a high premium, but ensure the greatest readiness of convertibility in the market.

The rate of 1*d.* per cent. per diem was not altered till the 8th Oct. ('53), when the quotation of Exchequer Bills having fallen to 17*s.* discount, a change became inevitable, and the rate was raised to 2*d.* per cent. per diem. The ultimate extinction of the South Sea Stock was not accomplished for a considerable period.

SECTION 8.

Movement for Higher Wages in 1853.—*Difficulties of the Autumn.—The Great Strike at Preston.*

About the middle of July ('53), there occurred in London, and in some of the large towns, extensive and systematic strikes, on the part of Artisans and Labourers, for higher wages.

The example, perhaps, was set by the Strike of the London Cabmen, against the Bill introduced into Parliament by the Home Office, for fixing the fares at sixpence per mile—a measure of interference certainly not easy to defend. There were combinations among the Lightermen employed on the River—among the Labourers in the Docks—among large classes of Artisans on the south side of the River—and among other classes of work-people. The artisans employed in the Building Trades in London—namely, masons, bricklayers, and carpenters—demanded and obtained a rise of ten per cent. in their wages; and also a diminution of two hours per week in their work.

From the purely agricultural districts, there were complaints that farm-servants, hired for a year in the previous autumn, had begun to desert their service in a large number of cases, and that recourse to a magistrate was become extensively necessary by employers. In most of the cases, the work-

people obtained the whole, or some part, of their demands; and the general result was a rise in the wages of most kinds of manual labour, to the extent of from ten to twenty per cent. compared with the wages of, say 1852.

In the course of August, and the early part of September, the Russian Dispute became so serious, as scarcely to admit of the possibility of a peaceful solution. Still, a large portion of the public pertinaciously adhered to the belief, that Russia would not proceed to the extremity of encountering war. The price of Consols, however, underwent a serious decline, for the quotation of *par* price, fell to 94 in September, and to 91 in October. But the whole of this decline was not attributable to the apprehensions of War.

The Bank minimum rate was raised from 3½ to 4 per cent. on the 1st Sept.; to 4½ per cent. on the 15th Sept.; and to 5 per cent. on the 29th Sept. Between June and the end of September, the Total Bullion had declined 3 Millions (18½ to 15½), and the Private Securities had risen about 3 Millions.

Serious apprehensions, also, had been excited by the deficient Harvest; and at the end of September, exceedingly discouraging accounts arrived of the glut of the Australian Markets.

During the eight, or perhaps twelve weeks which followed the rise in the rate of discount to 3½ per cent., on the 2nd of June ('53), there was apparently a reaction in the operation of many of the causes which, in the early part of the summer, had excited uneasiness. During July, the market rate fell below the Bank rate; and the amount of private securities, which stood at fourteen millions on the 4th June, had declined to twelve millions on the 1st August.

In the Corn Market, however, there had been a rapid rise of prices; for the weekly average price

of Wheat, which was 43*s.* 3*d.* on 4th June, was 53*s.* 9*d.*—25 per cent. higher—on the 6th August.

The immediate commencement of the difficulties of the autumn may be dated from the latter part of July. The exceedingly unfavourable weather which then prevailed, and which had prevailed with partial intermission through the summer, directed public attention to the prospects of the Harvest. It became known that weather quite as unfavourable prevailed in France, and some other parts of the Continent; and statements and facts began to be prominently put forward relative to a probable deficiency, of serious extent, in the produce of the harvest over a large portion of Western Europe. Under the influence of these apprehensions the weekly average advanced, as we have seen, to 53*s.* 9*d.* There then occurred a short reaction. The weather became more settled, and hopes were entertained that, in spite of previous anticipations, a successful harvest-time in the northern parts of the island would supply no small part of the deficiencies of the south; and, under the influence of these views, the weekly average had fallen on the 27th August to 48*s.* 6*d.*, or 10 per cent. below the average of four weeks previously.

Another reaction then commenced. The encouraging hypotheses were abandoned. Alarm was again aroused by the preparations in France and Belgium, and other countries, for the mitigation of scarcity; and the weekly average steadily advanced during Sept. On the 17th Sept. it was 56*s.* 7*d.*, and was soon more than 60*s.*, a price higher than any which had been attained since the summer of 1847.

About the same time that the prospects of the Harvest and the state of the Corn Market began to excite serious attention, the anticipations which had been so confidently entertained of an amicable adjustment of the Russian Dispute were found to

have no adequate justification; and there can be no doubt that the apprehensions of the near approach of War in Eastern Europe did, during the latter part of the summer, materially influence the state of the Money Market.

After the commencement of the month of August, the market rate of Discount rapidly ascended to the Bank rate of 3½; and by the 1st September, when the Bank rate was made 4 per cent., the market rate had virtually reached the same point. The Private Securities also, which were 12 Millions on the 1st August, had increased to 14 Millions on the 1st September; and by the 17th September they had reached 16,180,000*l.*; an amount which had not been reached since the closing weeks of 1847. The Reserve of the Banking Department was 10 Millions, when the rate of discount was raised in January ('53). It had fallen to 9 millions at the commencement of June. It was 8½ millions at the end of July; and 8 millions on the 1st Sept. On the 17th Sept. it had fallen to less than 7½ Millions, or to an amount less (with one exception, and that under special circumstances, in July, 1851) than any which had occurred since the great pressure of the Autumn of 1847.

There cannot be any doubt but that the real foundations for the Rise in the Rate of Interest which had been going on steadily for the first nine months of 1853, were laid widely and deeply during the twelve months ended with December, 1852; and more particularly during the nine months of that year which immediately followed the reduction of the Bank Rate to 2 per cent.

In all shapes, on all sides, among all classes, engagements were made and enterprises were started, implying sooner or later the employment of more capital. There was every apparent inducement for embarking in such adventures; for

the common topic of conversation was the boundless prospect of wealth opened to us by the Australian Discoveries and the Australian Markets, and the utter hopelessness of ever seeing again a High Rate of Interest in this country.

It is probable that the double rise in the Bank rate in January('53) tended to some extent to excite caution. But only in a few quarters. The popular persuasion had taken hold of classes of persons who are by no means among the first or the readiest to pay attention to a warning so refined as a rise of 1 per cent. in the rate of Discount; and it would be to mistake one of the most important elements of the question to confine our view simply to the largest class of Merchants and Traders. We must endeavour to estimate properly the aggregate magnitude of the operations of the immense number of third, and fourth, and fifth rate Dealers and Producers, whose influence, when they move in masses, is after all paramount; and it is undoubtedly the fact that, with few cessations, the amount of the shipments to foreign markets — the engagements for future production — the rise in prices and wages — and the multiplication in all conceivable forms of enterprise requiring capital — had gone on during the whole of the period from Jan. to Aug. 1853. In Sept. these operations were partially arrested; but only partially, and the disposition to build upon the future was as confident as ever in many quarters.

Prior in date, therefore — and beyond all dispute more lasting in its effects than either the apprehensions of War or Scarcity — was that gradually increasing demand for capital which had arisen out of the sanguine calculations and theories of the period when the Bank and the Market rate of Discount were not more than 2 per cent. The real character of the influence to be produced by the New Gold was at that time mistaken; and the

temporary plethora occasioned by the accumulations in the Bank of England of the produce of the first discoveries, was erroneously supposed to represent correctly that which would happen when the new supplies of the precious metals had begun to quicken industry and adventure in other countries as well as this.

The apprehensions excited by the serious failure of the Crops in 1853, were general and full of gloom.

Early in the autumn, it was seen that already the apprehensions of a distant War had produced their worst effects, so far, at least, as the Stock Exchange was concerned; for it was remembered that a war in the remotest provinces of Eastern Europe, and at a season when few active operations could take place, was a very different thing from a war with a near and daring enemy like France. But a declaration of War against Russia even then, after all the expectation and excitement of September, was expected to produce considerable effect on the money market. When, however, to the contingency of War, was to be added the contingency of a rapid fall in the exchange with the United States, and a remittance of Bullion to that country arising out of the orders already despatched and in course of despatch for Corn, the prospect was not a cheering one. It was seen that, during such a period, as during the period of the great importations of 1846–47, the Corn purchased of the Americans would be paid for in British goods, after the first rapid fall of the exchange had been recovered; but the exchange could only recover itself by an export of a greater or lesser quantity of Bullion; and it was quite possible that the pressure on the money market here, arising out of that rapid export of Bullion, might be severe; and, considering the extended nature of many subsisting engagements, might produce more or less discredit.

On the 3rd Oct. ('53), the Porte declared War

against Russia unless the Principalities were evacuated in fifteen days.

On the 6th Oct. the Bank of France raised its rate of discount from 3 to 4 per cent.

On the 28th Oct., intelligence was received in London of the actual commencement of hostilities between the Turkish and Russian armies on the Danube.

Let us now inquire into the nature and extent of the disputes relating to Wages.

The Reports of the Factory Inspectors for the Six Months ended 31st Oct. 1853, contain valuable information on this subject. They also indicate very clearly the change which had begun to manifest itself about July, in the demand for Manufactured Goods.

Mr. Howell, reporting on Ireland and the Midland and Southern part of England, wrote on the 31st Oct. 1853:—

"The extremely flourishing condition of the several branches of Manufacture embraced by the Factory Act, continued through the early part of the past half year. More recently, however, the manufacturers have in several instances curtailed their operations, and diminished the production of their factories, by reducing the time of work to four days in the week, either by shortening the hours of labour each day, or by standing idle two days in the week.

"At Stockport, also, at the early part of the half year, work was suspended by a 'Strike' upon the ten per cent. wages dispute; and at the close of the half year, work was suspended at Wigan, and its neighbourhood, by a similar strike, which still continues."

Mr. Horner reported (31st Oct. '53), for the Lancashire District, in the following terms, as regarded the State of Trade:—

"The depression that has now existed for some months, especially in the Cotton Trade, is so well known, that it is unnecessary for me to enter into any particulars respecting it.

"Among the best informed I have spoken to, it is ascribed to several causes combined;—to the political state of Europe and the East; to the bad Harvest and high price of provisions,

curtailing demand in the Home Trade, especially among the operative classes; and to over-production.

"I observe a growing impression among the occupiers of Cotton Mills, that the fall of prices and the diminished sales felt by individual houses, are to be accounted for in no small degree by the very great increase in the number of Mills, causing production to go far beyond the demands of existing markets, numerous and extensive though they may be.

"On this last ascribed cause of depression, I am enabled to state particulars, which show that the increased production during the last three years must have been very great."

Mr. Horner then inserts a Table, of which the following are the leading points, namely: —

During the twelvemonth from 1st Nov. 1852 to 31st Oct. 1853, in Mr. Horner's District, the New Mills, Additions to old mills, and Mills which had become Unoccupied during the twelvemonth, were—

MILLS.	New Mills.		Additions to Old Mills.		Mills become Unoccupied.	
	No.	Horse Power.	No.	Horse Power.	No.	Horse Power.
Cotton-spinning and Weaving	98	2917	34	970	23	277
Wool - - - - -	10	172	3	64	3	56
Silk and Small Ware - -	5	106	1	15	1	17
	113	3195	38	1049	27	350

Deducting the Mills Unoccupied, the net increase is 3894 Horse-Power; and at four persons per Horse-Power, the additional number employed, in this single district, would be nearly 16,000 Persons.

Mr. Horner then proceeds to speak of the Causes which had led to the demands for Higher Wages, and to the extent to which the Strikes had been carried at the close of October, '53. He says: —

"It is clear that so great an increase of production must, on the one hand, tend to keep up or enhance the prices of the Raw Material and Machinery, and to raise Wages, unless there be a proportionate increase of Cotton, of Machinery, and of

Labourers;—and thus increase the cost of production; while, on the other hand, the competition to effect sales must still further tend to lower profits.

"A continued depression, from whatever cause, will therefore force the Mill-Owner to endeavour to diminish his losses by working short time, as is now the case in many parts of my District, independently of those Mills altogether closed; and it is expected, that unless some great improvement takes place in the state of the markets, working three or four days a week only will be very general.

"The unfortunate disputes, that have been continued for several weeks, between the Mill-Occupiers and their Work-people, in some parts of my District, is a very serious aggravation of the evil.

"In the trade circular of Mr. G. E. Maudley, dated the 31st October, 1853, a copy of which was sent to me, I find the following statement of the number of Mills closed in the towns therein named, and which is the result, I presume, of careful inquiry.

"'From a rough estimate, gathered from most reliable 'sources, there appear to be at present "locked up," and the 'Workers "turned out,"—

"'In Preston and its immediate neighbourhood, 64 Mills, of '2,400 horse-power, having 1,100,000 Spindles, capable of pro-'ducing 800,000 lbs. weekly of average No. 32's Yarn; and '20,000 Looms, suspending a production equal to about 90,000 'pieces of India Shirtings weekly, of 8¼ lbs. each. The number 'of hands in forced idleness is about 25,000; whose average 'weekly earnings, when employed, is said to be nearly 12,000*l.*

"'In Wigan and Hindley, 25 Mills are closed, of about 1,300 'horse-power, suspending about 400,000 Spindles, mostly em-'ployed in Yarns of low numbers; and 1,800 Looms. The 'number of hands "on Strike" about 7,500, whose weekly 'earnings would be nearly 2,000*l.* In Wigan and its vicinity, 'there are also 4,500 Colliers and Drawers, who have been "on 'strike" about six weeks; making about 12,000 out of employ-'ment in the district.

"'At Burnley and Padiham, there are 58 Mills closed, of '2,300 horse-power, and 510,086 Spindles, and 12,067 Looms; 'the unemployed hands are about 12,000, whose usual Wages 'weekly would amount to about 5,800*l.*

"'At Bacup, there are 36 Mills closed, of 1,400 horse-'power, 300,000 Spindles, and 8,000 Looms; and about 8,600 'hands rendered idle, and weekly Wages to the extent of 5,000*l.* 'withdrawn from circulation.

"'Thus, independent of several minor and isolated strikes in 'Manchester and Bury, where about 1,000 hands are "turned 'out," Bolton, Newton Heath, &c., there are at least in the 'four centres of Burnley, Bacup, Preston, and Wigan, closed

'183 Mills, of the aggregate force of 7,400 horse-power, with '2,310,086 Spindles, and 41,867 Looms, and 47,100 Operatives 'unemployed.

"'It is no exaggerated estimate, to calculate the number of 'Work-people now on "Strike" in this county at 50,000, and 'the average loss of wages at 26,000*l.* weekly.'

"I have always understood that, taking into account the various qualities of Yarn and Fabrics in the Cotton Manufacture, in which the number of hands to the horse-power required to drive the Spinning and Weaving Machinery varies considerably, an average of 4½ to the horse-power would be pretty near the truth. If that be so, the above number of 50,000 Work-people unemployed is much too great, according to the statement of the aggregate force of horse-power unemployed. In my estimate of the number of hands required to work the New Mills and additions, I have taken four persons to the horse-power as the average, to avoid the risk of over statement."

Of the circumstances which had led to the extensive resort to strikes, Mr. Horner says:—

"I have endeavoured to trace the causes of the commencement and continuance of these disputes; but the statements I have received from both parties are very conflicting.

"While trade was in a very active state, and the increased demand for hands caused by the New Mills was great, it was natural that the work-people should endeavour to get higher wages; but, unfortunately, those who have been most active in this, have gone beyond what is consistent with the principles of 'free trade' in the labour market, and have followed a course which the Mill-Owners consider to be subversive of their individual freedom in the management of their concerns, and which is calculated to break up those satisfactory relations so desirable to be maintained between the master and his work-people.

"The immediate pecuniary loss to both parties must be very great; and, so far as the work-people are concerned, it must seriously injure the condition of themselves and their families for a very long period after work has been resumed. But a greater evil still has been created: a feeling of distrust and alienation between the employer and the employed, it is much to be feared, will last long after the re-opening of the Mills, whether that be brought about by mutual concession, or by the stronger party prevailing."

Of the Great Strike at Preston, which lasted during the seven months from October, 1853, to April, 1854, a full and interesting account has been

given by Mr. Henry Ashworth*, one of the manufacturers of the District in which the conflict occurred.

Mr. Ashworth is by no means free from a very obvious bias in favour of the Masters' side of the question; and it is probable that an historian of the struggle more entirely free from personal and local partialities would have given a different version of many of the events connected with it. Still Mr. Ashworth's narrative is exceedingly valuable; and it must be conceded, even by those who take the most favourable view of the policy adopted by the Work-people, that the Strike was persisted in for several months after it had become perfectly obvious that so complete a check had been given to the demand for manufactured goods, as to render any rise of wages utterly out of the question.

The conflict at Preston may be regarded as the first organised and systematic attempt, on a large scale, of the Factory Operatives, to obtain for themselves a higher standard of Wages as the fruit of the prosperous trade arising principally out of the Gold Discoveries. We may with advantage, therefore, pay some attention to the facts of the case.

Mr. Ashworth dates the commencement of the dispute from the 22nd Aug. 1853, and he describes the demands of the Work-people as including two points, viz.:—(1) that there should be a general Advance of Wages to the extent of Ten per Cent.; and (2) that there should, for the future, be an Equalisation of Wages in each department of Factory Labour, by means of a standard List of Prices, to be mutually settled by Employers and Employed, and to be in force all over the country.

Mr. Ashworth says, that during a few months

* "The Preston Strike, its Causes and Consequences," by Henry Ashworth, Esq., F.S.S., Vice-President of the Manchester Chamber of Commerce. Sims, Manchester; and Cash, London, 1854.

prior to August, 1853, the Mill-Owners of Lancashire, including Preston, had generally raised wages to the extent of the Ten per Cent. required. He says, that thirty-two out of thirty-six firms at Preston, had actually given this advance. He says, that, between 1847 and August, 1853, the Wages in Preston of Card-room hands had increased 22 per cent.; of Self-acting Minders 16 per cent.; of Weavers 11½; and of Mule Spinners 6¾ per cent.;—or equal to an aggregate increase of 14 per cent.: and he alleges that the four or five firms in Preston, who refused the Ten per Cent., were compelled to do so, because the peculiar nature of the Fabrics produced in their mills did not admit of the advance. As regards the demand for an Equalisation of Wages, he considers such an arrangement simply impossible.

For the attainment of the Ten per Cent. advance as an universal measure, and for the Plan of Equalisation, the Strike was resorted to.

The actual cessation of Work did not take place till the end of October (1853). The Mills were then closed, and 17,000 Factory Workers, whose aggregate weekly wages amounted to not less than 10,000*l*., became dependent on the funds of the Trades Union. Mr. Ashworth says that 17,000, and not 25,000, or 30,000, was the real number of the Work-people who turned out; that of this 17,000, not more than one half were males; and that of the 8,500 males, not more than 1,700 were adults of five-and-twenty and upwards.

Throughout the whole of the Winter of 1853–4, the conflict was maintained.

Contributions were remitted weekly to the Preston Committee, from the Work-people of other parts of Lancashire, and of other parts of the country. The leading spokesmen of the operatives were George Cowell and Mortimer Grimshaw; and disastrous as were the consequences of the struggle, it must

be admitted that it was conducted with a degree of system and ability on the part of the Work-people, of which there were few prior examples. It was, in truth, a great battle between two formidable phalanxes, representing the Capital and Labour of Lancashire.

At length, the funds of the Union were exhausted — the extensive contributions ceased to arrive, — and early in May, 1854, the Mills in Preston resumed work, but at the rates of wages in force *before* the Strike; that is to say, at rates *minus* the Ten per Cent. demanded in August, 1853. The claim for Equalisation of Wages was entirely ignored.

Mr. Ashworth presents the following: —

STATEMENT of ESTIMATED FINANCIAL Loss entailed by the STRIKE of FACTORY OPERATIVES at PRESTON, during Thirty-six Weeks, from Oct. 1853, *to April,* 1854.

I.—*Loss to Employers.*

	£
Trading Losses - - - -	50,000
Depreciation, Interest, and Contingencies -	67,000
Expense of Fuel, &c., unavoidable - -	28,000
Machinery inadequately worked - -	20,000
	165,000

II.—*Loss to Work-people.*

Wages suspended - - -		250,000
Contributions to Strike Fund from —		
Blackburn - - -	30,000	
Stockport - - -	10,000	
Preston - - -	7,000	
Ashton, Hyde, Glossop, and Stalybridge - - -	10,500	
Over Darwen - - -	4,000	
All other places and trades -	35,500	
		97,000
		347,000

III.—*Loss to Collateral Parties.*

	£
Loss of Trade to Shopkeepers, &c. -	11,250
Loss to Carriers, Railway Companies, &c. -	10,000
	21,250

TOTAL LOSS £533,250

NOTE.—The Capital sunk in the Establishments of the associated manufacturers at Preston may be estimated at One Million sterling.

Among the most prominent pleas of the Work-people, was the allegation that Wages were considerably lower in Preston than in other towns of Lancashire,—that, for example, they were 10 per cent. lower than in Blackburn. It is hardly conceivable, however, that for any length of time so great a difference could prevail, in places so near, in the rate of wages for precisely the same kind of work.

SECTION 9.

Events of the Autumn of 1853.—*Prices in* 1852 *and* 1853. — *General Review of the Trade of* 1853.

To return to the course of events connected with the general State of Trade.

About the middle of October (1853), the apprehensions, which had prevailed a short time previously, became much less general, and the rate of interest out of doors fell below the Bank Rate.

Several circumstances contributed to this change. The payment of the October dividends produced the usual temporary relief; the returns of the Revenue were exceedingly favourable; public opinion, respecting the difficulties of the Russian

and Turkish dispute, experienced a somewhat sudden change in favour of a peaceful solution; very large arrivals of Gold took place from Australia—the arrivals, for instance, during the closing week of September, were quite equal to a Million sterling; and the mercantile intelligence from Australia and the United States was considered to be of an improved character.

It was also stated that, as regarded the probable adverse effect of the shipment of Corn at New York, upon the rate of exchange with this country, there was every probability that the sale in the United States, of railway and other securities on English account, would, to a great extent, neutralise that adverse effect.

In addition to all these reasons, the weather, which, since harvest, had been exceedingly unfavourable to the field operations necessary for the crop of 1854, began to assume a more settled and favourable character. At the end of October, intelligence arrived of the commencement of hostilities on the Danube by the Turks, apparently on a scale which indicated a serious intention of prosecuting the war with vigour; and all subsequent information tended to a confirmation of this view.

In spite, however, of these unfavourable circumstances, there can be no doubt that, until within about ten days of the close of November, the rate of interest out of doors underwent a partial reduction. The anticipation of peace continued to be so extensively and strongly entertained by the public that, notwithstanding the existence of a powerful Bear party on the Stock Exchange, the price of Consols was not only prevented from falling lower, but, between the end of October and the last week of November, was actually forced up 3 or 4 per cent., viz., from 91½, to 95½.

The arrivals of Gold continued to be large

throughout the whole of October, and also during November.

I have already said that the arrivals of gold from Australia, in the last week of September, were as much as one (1) Million sterling. During October, they amounted to a Million and a Quarter ($1\frac{1}{4}$) more; and to that sum must be added a quarter ($\frac{1}{4}$) of a million of gold and silver from the United States, which arrived just at the end of the month. In November, the arrivals of gold from Australia were half ($\frac{1}{2}$) a million; and of gold and silver from the United States and West Indies, 600,000*l.*, together 1,100,000*l.*

Reckoning, therefore, from the 23rd September last, to the 30th November, the arrivals of Gold and Silver may be stated to have been —

	£
From Australia - - -	- 2,600,000
From United States, and West Indies	- 900,000
	£3,500,000

The markets for Colonial and Tropical Produce, during 1853, were steady, and in some cases advanced; but the rise of prices was not so great by any means as in 1852.

In Raw Materials of Manufacture, there were several instances of material increase in 1853.

If, however, we compare the Prices of April, 1852, with those of July, 1853,—that is, with that month of 1853 which immediately preceded the difficulties of the coming War, of the Harvest, and the Strikes,—we shall find a marked increase in 1853 in several articles.

In the articles of Copper, Iron, Tin, Timber, Oil, and Logwood, the increase is explained by the greatly increased demand for manufactures and shipbuilding; and in the articles of Coffee, Flax, Hemp, Tea, Tallow, and Indigo, by circum-

stances either actually or prospectively tending to diminish the supply.

COMPARATIVE PRICES.—*April*, 1852, *and July*, 1853.

I.				APL. 1852.	JULY, 1853.
COFFEE	Brit. Plant.	*cwt.*		35*s.* @ 75*s.*	50*s.* @ 90*s.*
SPIRITS	Rum, Jama.	*gall.*		24*d.* . 26*d.*	32*d.* . 34*d.*
SUGAR	Brit. W. I.	*cwt.*		17*s.* . 27*s.*	21*s.* . 28*s.*
TEA	Congou	*lb.*		7*d.* . 18*d.*	11*d.* . 24*d.*
TOBACCO	Virginia	„		2½*d.* . 8*d.*	2½*d.* . 10*d.*
II.					
COCHINEAL		*lb.*		42*d.* . 57*d.*	38*d.* . 68*d.*
COTTON WOOL	Bow. Geo.	„		5*d.* . 5⅝*d.*	5½*d.* . 6½*d.*
FLAX	Riga	*ton*		42*l.* . 53*l.*	45*l.* . 60*l.*
HEMP	St. Petersb.	„		30*l.*	36*l.*
INDIGO	Bengal	*lb.*		16*d.* . 70*d.*	21*d.* . 92*d.*
LOGWOOD	Jama.	*ton*		65*s.* . 70*s.*	105*s.* . 110*s.*
OIL	Gallipoli	*tun*		44*l.*	68*l.*
SALTPETRE	Rough	*cwt.*		24*s.* . 32*s.*	24*s.* . 28*s.*
SILK, RAW	China	*lb.*		17*s.* . 20*s.*	16*s.* . 19*s.*
TALLOW	St. Petersb.	*cwt.*		35*s.*	53*s.*
TIMBER	Dant.	*load*		48*s.* . 65*s.*	72*s.* . 80*s.*
WOOL, SHEEP	Germ. sec.	*lb.*		24*d.* . 28*d.*	24*d.* . 28*d.*
III.					
COPPER	Tough Eng. cake	*ton*		88*l.*	107*l.*
IRON	Best bars	„		5*l.*	9*l.*
TIN	Eng. bars	*cwt.*		85*s.*	108*s.*
IV.					
Bank of England Notes (incl. B. P. Bills) in hands of Public				22·56	24·93
Provincial Circulation of Great Britain				9·90	10·40
				32·46	35·33
Rate of Discount.—Bank Minimum				2 per ct. per an.	3½ per ct. per an.
„ „ Market				1¾ „ „	3¾ „ „

The Bank Note Circulation of 1852 and 1853, was, on the average, about 2½ Millions *higher* than in the preceding year; but the highest range of the Circulation was from May, 1852, to July, 1853.

The Country Circulation remained very nearly stationary. The increase of wages and transactions — the remittance and conveyance of Bank Notes to Australia for Emigration and other purposes—and the legal restrictions on the amount of the Country Notes—seem sufficiently to explain the larger quantity of Bank Notes.

The Total Reserve of Bullion in the Bank of England was 19½ Millions on the average of Jan. 1853; and 15½ Millions on the average of Dec. 1853, — a decline of 4 millions.

The decline, however, occurred after July; and the drain was the heaviest in September, October, and November. It happened most fortunately, that during those three months the arrivals of Gold from Australia and elsewhere were large and frequent; and beyond doubt, the appearance of such supplies at so timely a juncture greatly diminished the alarm.

At the end of the year, the Morning Chronicle gave a statement, of which the following is a summary, of the Imports and Exports of Gold and Silver in 1853.

The Table was described as having been framed with care; and upon a subject surrounded with so many difficulties, every serious attempt to ascertain the facts is entitled to attention.

IMPORTS and EXPORTS (approximate) of GOLD and SILVER BULLION and COIN, into and from the United Kingdom in each Month of 1853.

1853.	Gold and Silver Bullion, &c., *Imported* into United Kingdom.			Gold and Silver Coin and Bullion *Exported* from United Kingdom.		
	From Australia.	From other Places.	*Total.*	To Australia.	To other Places.	*Total.*
	Mlns. £	Mlns. £	Mlns. £	Mlns. £	Mlns. £	Mlns. £
Jan.	1·57	·87	2.44	1·12	1·88	3·00
Feb.	·53	·36	·90	·95	1·09	2·04
Mch.	2·10	·88	2·98	·62	·63	1·25
	4·20	2·11	6·32	2·69	3·60	6·29
April	1·84	·49	2·33	1·00	1·15	2·15
May	·62	1·08	1·71	·22	·94	1·15
June	1·35	1·16	2·52	·17	·77	·95
	3·82	2·73	6·56	1·39	2·87	4·26
July	1·36	·86	2·22	·01	·77	·78
Aug.	1·46	·73	2·18	·02	·84	·84
Sept.	1·30	1·00	2·30	·01	2·50	2·50
	4·11	2·59	6·70	·04	4·09	4·12
Oct.	1·06	1·21	2·27	–	1·34	1·34
Nov.	·30	1·27	1·56	–	2·16	2·16
Dec.	1·48	1·25	2·74	–	1·53	1·54
	2·84	3·73	6·58	–	5·03	5·04
TOTALS.						
1853	14·97	11·18	26·15	4·13	15·58	19·71
1852	7·28	13·04	20·32	2·93	9·56	12·49

When the end of the year arrived, the class of Annual Circulars which gave the most satisfactory

accounts of the Year's Business, were those connected with Shipping.

The years 1852 and 1853 had afforded a rich harvest to almost every class of persons connected with Ships. The enormous Emigration of 1852, and the enormous Imports and Exports of 1853, created a sudden and large demand for Freight, far beyond the resources of the Vessels really available.

The following extract from the Circular (31st Dec. 1853), of Messrs. Lindsay and Co., the eminent Shipowners of Austin Friars, gives a lucid account of the prosperity of the Shipping Trade.

"From the commencement of 1850, when our Navigation Laws were repealed, till towards the close of 1851, the Shipping Trade suffered great depression. Various were the opinions as to the effect of repeal; mostly all, however, felt that those institutions and burdens which were the creatures of Protection ought to have been swept away with the laws which originated them. Many shipowners were opposed *in toto* to the measure; others approved, provided they were allowed to compete unfettered, but resisted that measure till some pledge was given to that effect.

"Neither obtained their desires, and a large majority therefore naturally felt that, unless some new demand arose for our ships, freights were not likely to advance. The rates then current were thus eagerly accepted. Few British owners felt disposed to increase their tonnage, and the natural consequence was, that when our general carrying trade rapidly increased, there was not sufficient tonnage to meet the demand. Too many shipowners, in their opposition to the extension of our commerce, appeared to forget that commerce was the parent of shipping.

"In 1852 we commenced to feel the benefits arising from open competition, and the free exchange of Commodities with other nations increased to a surprising degree by rapid intercourse through the aid of Steam, and the enormous trade which steam itself created in the conveyance of coals. Freights rose, and all descriptions of Vessels were materially enhanced in value.

"A still more rapid increase, however, took place after the discovery of the Goldfields in California and Australia. The price of our highest class British ships rose from 15*l.* to 21*l.* and 22*l.* per ton; and Colonial from 6*l.* 10*s.* to 11*l.* per ton. Freights, in many instances, advanced more than 100 per cent.; and it was soon discovered that, though we had opened our Carrying Trade

to the vessels of all other nations, our merchants could not find sufficient tonnage to execute legitimate orders; for, unlike many branches of commerce, the demand was to supply actual wants.

"The advance in 1853 has been equally great to the west coast of South America, to the Brazils, and to the West Indies. In freights from Odessa the rates have risen from 65*s.* to 120*s.*, and at that port as high as 170*s.* and 180*s.* per ton has been paid. Freights from America, both in timber and grain, have advanced full 100 per cent. above former rates; from the Baltic in like proportion; and even in the Coal Trade between Newcastle and London the usual standard rate (certainly a very unremunerative one) of 6*s.* per ton has been more than doubled. From India and China there has been, however, very little advance on the average of former years. By all appearance the present rates in every branch of trade are likely to be maintained throughout the whole of 1854 at least. But though labour and materials are pretty certain to maintain their present prices; and though our carrying trade continues to increase, the power of producing Ships, not merely in our own country and in our colonies, but also in America and in the northern parts of Europe, is so very great, that tonnage may, even before the close of the present year (1854), be increased to a greater extent than the requirements of our trade—one extreme too often begetting another; so that for a time we may experience a reaction in our rates of freight and in the price of ships.

"The Australian Trade in 1853 has fluctuated less than might have been anticipated; for although the quantity of goods sent out has been immense, and the Emigration Commission have been chartering regularly throughout the year, the number of private emigrants has been very small as compared with the numbers whose exodus towards the close of 1852 gave rise to much speculation in freights.

"The large exports to India and China caused the outward freights to those places to advance steadily till the autumn of '53, since which they have remained about stationary.

"The Grain Trade, above all others, has been characterised by extraordinary activity, the result of a combination of events which it was impossible to foresee. The shortness of our supplies of grain has been fully proved, and this, added to the practical closing of our most important granaries by the war between Russia and Turkey, has greatly enhanced the price of corn, and given rise to very large importations from the United States and other parts."

The following short extract from the Circular (31st Dec. '53) of Messrs. Churchill and Co. of

London, will convey some idea of the vast supply of, and the vast demand for, Timber, in 1853.

"In 1853, the aggregate of the London Imports of Timber has exceeded by 33 per cent. the corresponding importation of 1852; but the larger aggregate supply, finding its approximate consumption, has not added to the aggregate stocks of Timber in hand in the United Kingdom.

"The Importation of Timber into London has employed, since 1850, the following quantity of shipping, viz.—

Year.	Ships.	Tonnage.
1853	1853	574,000
1852	1419	432,000
1851	1457	456,000
1850	951	309,000

Messrs. Littledale and Co. of Liverpool, taking a more general view of the different branches of Trade, have to present a picture darkened by several shadows. They say:—

"The year 1853 has been a disappointing one to many, and has been far from fulfilling the flattering anticipations entertained at its commencement.

"Early in 1853 we expressed our apprehension that error was being committed by many persons engaged in business, in losing sight of the great advance in prices which took place in 1852 in nearly every article, thereby rendering a further advance in 1853 exceedingly doubtful; and also in losing sight of the increased demand for money, which must of necessity arise from the great extension of trade in every direction. It appears to us that these views have been borne out by the course of business in 1853.

"Our Produce Markets have been on the whole unusually quiet, and with some few exceptional cases (Rice, Tea, &c.), prices have shown but small variations; while last year the advance was almost universal. At the same time, an active demand for consumption has been such as to keep prices steady, in the face of the great drawbacks — dear money, dear food, strikes in the manufacturing districts, and threatened War.

"The Export Trade has been the largest on record; but perhaps, as far as Textile Fabrics of Cotton and Wool are concerned, with the least profitable results to all the leading markets of America. Of Imports, the principal one, Cotton, has left a loss; and Sugar has not done much better. Tea and Silk have given good results; but the disastrous position of the bulk of exports to China will prove a severe set-off.

"The best trades of the year are no doubt *Timber* and *Corn*, in both of which splendid profits have been realised by importers, speculators, dealers, and carriers. *Shipowners*, also, are considered to have had a golden harvest throughout the year. Manufacturers of almost every class have had an active and excellent trade — Iron, perhaps, the most so."

Messrs. Trueman and Rouse, of London, give the following account of the Sugar Market, testifying, at the same time, to enlarged consumption and to enlarged supplies, and prices but little affected.

"The fluctuations in the price of Sugar, during 1853, have been frequent but trifling in amount, having scarcely at any time exceeded 2*s.* per cwt.; the extreme quotations from highest to lowest have varied only 3*s.* to 3*s.* 6*d.* on the current qualities; and although, from the great increase of consumption and consequent reduction of stock, an expectation was very generally entertained of a considerable advance, still we close 1853 with British Colonial Sugar about 1*s.* per cwt., on the average, below the prices current in January, 1853; and Foreign Sugar is without change.

"*Notwithstanding an excess of Import, in* 1853, *of* 23,700 *tons, as compared with* 1852, *so great has been the demand for Home use* (*the deliveries in Great Britain reaching* 331,000 *tons in* 1853, *against* 311,000 *in* 1852) *that the stock at the end of the year is* 26,000 *tons less than at the beginning.* * * There has been a serious dificiency in the Beet-root crop in Russia and Germany; and a large proportion, estimated at one-fourth of the sound Beet-roots, has been taken for purposes of distillation in France and Belgium. All these causes tend of course to increase the demand for Cane Sugar."

Du Fay and Co. report as follows of the Markets at Manchester: —

"The condition of our Manufacturers, as well as other classes, was greatly improved by the satisfactory state of trade in the earlier months of 1853; and the steadiness of prices throughout 1853 shows that business has been carried on cautiously, and production, even when the mills were all at work, by no means excessive.

"Since the Turn-outs and Lock-outs have taken place, the supply has in some instances been found unequal to the demand: hence the possibility of maintaining firm and even high prices, notwithstanding the political difficulties and dear provisions. Not only have Textile Fabrics remained firm, but also the Raw Materials: all kinds of Produce, and Dyes, were

kept up in price, showing that a regular consumption continued in spite of all difficulties."

I conclude these extracts by the following statement by Messrs. Tootal and Browne, of London, of the character of some of the principal Foreign Markets for our Exports. They say:—

"Reviewing the markets (in 1853) with which we are particularly engaged, we have to observe as follows:—

"Australia, which claimed the pre-eminence last year at this time, may fairly do so on the present occasion. It has found employment for shipping from all parts of the world, and has created a demand for merchandise that never existed in any other market.

"Calcutta has continued to be an improving market throughout the year. Madras and Bombay have yielded fair results. Singapore has been generally remunerative; but in consequence of the disturbances in China somewhat uncertain. Batavia has been, and is depressed.

"In China the Civil War has almost suspended the trade at Shangai. Manilla has been a tolerably satisfactory market. Cape of Good Hope has been materially improved by the conclusion of the Caffre War. San Francisco is a very much overstocked market, and scarcely any article of import is now realising a paying price."

SECTION 10.

Effects of the War in 1854.—*Fall of the Rate of Interest.*—*Influence of the Influx of Gold.*

The Year 1854 was distinguished by a state of things in nearly all respects the reverse of 1853.

In 1854 the year opened with the prevalence, among the public, of feelings of uncertainty and distrust, excited by the near approach of an European War. The Bad Harvest of 1853 had raised the price of Corn to a scarcity point; and there was a manifest pause in the career of prosperous trade which had marked the early months of 1853.

As the year proceeded the sources of difficulty increased. The stoppage of trade with Russia raised the price of several important Raw Materials of Manufacture. The reports of the Australian Markets became worse and worse, and led to extensive and serious failures on this side. In the summer similar difficulties occurred in the trade with the United States; and for a considerable period a severe commercial crisis prevailed at New York and other leading American cities, the origin of which was over-trading to California, and over-investments in Railways and Land.

In the autumn occurred the failures in the Shipping Trade.* The supply of New Ships had, at length, not only overtaken, but exceeded the demand. The landing of the Army in the Crimea had abated the first great pressure of the Government for transports; the cessation to a great extent of the exports to Australia had cut off one of the principal channels of employment; and there was a sudden and severe revolution in the value of Shipping property — a revolution which produced failures and discredit.

As regarded the great staple manufactures of Cotton and Woollens, there was throughout the year a strong and constant tendency to check the advance in prices and wages which had taken place in '52 and '53.

The large additions to Factory Power, made in those years, produced their natural result in 1854, in a rapid increase of production; and the demand having materially lessened, there was a constant tendency in 1854 to work short time, and arrive in various ways at a reduction of wages.

* The failure in the Shipping Trade which attracted the largest amount of notice, was that of Mr. Oliver, of Liverpool, who stopped payment in October, 1854. For some time his estate was said to be really solvent, but in the end it yielded a very low dividend.

In the Import Markets, also, there was a general tendency to dulness of trade and lower prices. The high rates obtained in 1852 and 1853 had stimulated supply; and the quantities brought forward in 1854 were found to be excessive. This was especially the case with Timber, upon which the losses by importers were very serious.

At the opening of the year the Bank of England minimum rate was 5 per cent., as fixed on 29th September, 1853. The Total Bullion was 15½, and the Private Securities 14½ Millions.

The minimum Rate was raised to 5½ per Cent. on the 11th May ('54); and at that time the Total Bullion had fallen to 12 Millions; but beyond the rise of the half per cent., there was no unfavourable change in the money market. On the contrary, it was a topic of observation, that the actual commencement of the War had caused scarcely any disturbance.

The minimum rate was again lowered to 5 per cent. on the 27th July ('54); and remained at that figure till April, '55.

It can hardly admit of a question that the Influx of Gold from Australia saved this country from extreme commercial pressure during the close of 1853, and early months of 1854.

The importations of Grain, it may be safely assumed, had amounted in value during the period in question to between Ten and Twelve Millions sterling; and, independently of the adverse effect of that large importation upon the foreign exchanges, there had been in operation other and powerful causes, all tending to prolong the Efflux of the precious metals from this country.

At the end of October '53, the Total Reserve of Bullion in the Bank of England was about 15 Millions. In the middle of April, 1854, it was barely 14 Millions; and in the interval of five months

the arrivals of Gold and Silver from Australia, America, and other quarters have been equal to more than 10 Millions. The amount of the Banking Reserve at the end of October, '53, was about 6, the Securities 28, and the Circulation 24½ Millions. These figures were not materially different in April '54. The Reserve stood at 6, the Securities at 29, and the Circulation at 23½ millions. The extra million of Securities had been half derived from the Circulation, and half from the Deposits. But if there had been no arrival of Ten Millions of New Gold in the interval, what would have been the situation in April? As the facts stood, the Money Market had been firm and quiet.

The rate of interest had remained steadily at five per. cent., but there had been no pressure. Occasionally, when politics became apparently more threatening, or when misgivings were excited by the low state of the Government balance, some temporary alarm existed. But, on the whole, the country had met the difficulties of an extremely deficient harvest; of a consequent large importation of grain; of a period of disturbed foreign relations; and ultimately of a state of war, with an unprecedented absence of difficulty in the Money Market.

It is almost certain that every incident of this picture would have been violently reversed if it had not been for the resources afforded by the Influx of Gold from Australia; and by the consequences arising in the United States from the Californian discoveries.

On the one hand, the direct importations of gold from Sydney and Melbourne enabled us to meet the Drain from this country to the Continent which had been actively in progress through the winter; and, on the other hand, the enormous demand in the United States for articles of British

produce and manufacture enabled us to derive from thence the largest portion of our supplies of Grain, without depressing the exchange with New York to such an extent as to lead to any export of the metals from this country. Prior to December, 1853, there was a large and constant remittance of gold from the United States to England; those remittances representing, of course, the balance of payments which the United States at that time was unable to prevent by sending here commodities equal in value to those which it imported. When the shipments of Grain, on English account, began in earnest from the Atlantic ports, the remittances ceased, because the trade between the two countries once more became a trade of interchange.

But in former periods of a similar character — in 1846–47, for example — the effect of a large and sudden demand for American Corn was very different. Then, the excess of importations was on the side of England; and the Money Market here was deranged by the consequent efflux of gold. It would have been so again during 1853–4, if the enormous and active demand for imported goods, excited in America by the influx of the Californian supplies, had not acted so powerfully on the trade between the two countries as to render the large exports of corn to England no more than a corrective of the previously existing adverse state of the exchange as concerned America.

The Money Market remained in a quiet and sound condition throughout the summer.

There had been a recovery of six or seven per cent. in the price of Consols even so early as June; and about the same time it appeared that the Rate of Interest at Paris, Hamburg, and Amsterdam was not only as free from excessive elevation as in London,

but was very considerably lower; and comments were very general on the apparent anomaly of differences in the rate of interest so great in places so near to each other and so intimately connected for trading purposes.

The circumstances of the Money Market were, in truth, somewhat extraordinary and perplexing.

In the first place, there were no symptoms whatever of any decline in the rate of discount and interest in this country, although at Paris, at Hamburg, and in Holland, the rates were as much as 2 or even 3 per cent. below the then minimum (5½) of the Bank of England. In point of fact, so far from there being any tendency to decline in the rates of the London Money Market, that in June ('54) there were indications of a more active demand for capital. In the second place, the prices of the Public Funds were maintained at a point which appeared altogether disproportionate to the prices obtained for other established securities, and to the prevailing high rates of interest, and but little in accordance with the condition and prospects of the country, entering, as it was, upon a continental war. And lastly, while the rates of interest and discount were higher than had been known at any recent period, except during seasons of extreme commercial pressure, the business of the country was on the whole in a flourishing, sound, and progressive state. Our foreign trade had been so far but little affected by the War; and the disasters which had been expected so long, and apparently with so much reason, from what seemed to be the extravagantly overdone Exports to Australia, had not overtaken the country.

To refer to the first of these topics. It was stated that in Amsterdam the rate of discount was 2 per cent.; in Hamburg, 3 to 3½; and in Paris, 4 per cent. In London, the minimum rate of discount at

the Bank of England was 5½ per cent., and out of doors the rates were on the whole even less favourable to borrowers. In New York, Boston, and Philadelphia, the rate of interest had been for some time 10 to 12 per cent. per annum.

At first sight, these discrepancies appeared to suggest the notion of some defect in the commercial relations or means of intercourse subsisting between the several places; but such an inference was hardly sustained by closer investigation. To take, by way of example, the simplest case, that of a first-class three months' bill, bearing English names, and drawn and payable in London, seeking discount. If we take the lowest of the rates said to prevail abroad, namely, that at Amsterdam, of 2 per cent. per annum, we shall find that the difference between three months' discount there and here is not more than seven-eighths per cent.; and from this seven-eighths have to be deducted postages, commissions, and allowances for variations of exchange, reducing the real difference to a per-centage comparatively very small. But the expenses attending such a transaction are not the only, nor the chief obstacles in its way. The discount of a bill is not like the purchase of a commodity. The one is an advance of capital to be recovered; the other is an expenditure of capital for which intrinsic value is at once received. While, therefore, the rate of discount in Amsterdam may be 2 per cent. per annum on short first-class bills drawn and payable in Amsterdam, and bearing signatures perfectly familiar in that city, it by no means follows that the rate will be the same when the security offered is not a native but a foreign document, raising questions of law, credit, and usage in no way familiar to a Dutch banker. The same reasoning applies to other similar cases, and with stronger force wherever the approximation of the foreign

to the London rate is closer than in the example employed.

The difference between the rates of Discount in London and New York is far greater than between London and Holland; and, what is more, it is a difference which prevails with hardly any interruption. The difference, again, between the rate, in New York and San Francisco—distant capitals of the same country—is still more marked than between New York and London. In each case it will be found, that the explanation is, in substance, the same as that suggested in the case of Amsterdam.

It must not be understood, however, that considerable differences between the Rates of Interest in various commercial countries have no effect in equalising the supply of capital among them. The contrary is the fact.

But the equalisation is brought about, not by the transmission from one country to another of bills to be discounted, but by the purchase by one country in another of Securities which have become depressed by a violent or continued rise in the rate of interest. In other words, certain classes of dividend-bearing Securities of the country where high rates of interest prevail, fall, in effect, into the category of its exports, and the remittances received for payment of these exports tend to equalise the supply of capital. In June, 1854, for example, it is very improbable that a single English bill found its way to Holland or Hamburg; but it is pretty certain that funds from both places were sent to this country to be invested in securities of various kinds.

It is, perhaps, not so easy to find an answer to the second question, namely, that which refers to the relatively disproportionate height, and, in the opinion of most people, the disproportionate buoyancy of Consols in the summer of 1854.

Bearing in mind the immense increase during the Peace of the class of funds specifically restrained by various circumstances to employment in Government Stocks only; and remembering that no increase had taken place in the nominal capital of those Stocks, it followed perhaps that the public must be prepared to see Consols at a high relative price, and a price which, as regards steadiness and its relation to the value of other securities, contrasts very favourably with the prices of the Last War.

The truth is, that the increased wealth of the country, and the peculiar social arrangements which confine a considerable part of the accumulations to investment in the public funds, sustained their price at a point which was not possible in the former War.

A superficial observer might urge, perhaps, that a further reason was to be found in the larger number of persons wholly or partially interested in Stock Exchange transactions as compared with any previous time; — that the amount of capital systematically employed in stockjobbing is greater than it ever was before; — and that the facilities of transit and communication connected with the railway and the telegraph have expanded the community which acts directly upon Capel-court to almost every town in the United Kingdom. But these are considerations which do not affect the question.

It was next to be explained how it happened that the Rate of Interest kept so high in 1854, when trade was generally so vigorous and sound.

The shortest answer, but an answer without foundation, would be, that from a variety of circumstances the general rate of Profit in this country had been materially increased during the preceding few years, and that, while more money

capital was absorbed by trade, the profits of trade admitted of a higher rate being paid for the use of it. But the evidence in favour of this conclusion was not entitled to attention.

The Reports of the Factory Inspectors for the Six Months ended 30th October, 1854, were all more or less unfavourable.

Mr. Horner reported as follows of the Lancashire District. He refers to the extension still taking place in Factory Power; and it is easy to conceive that New Works of the kind he mentions may have been planned and provided for prior to the more serious complications of 1854. He says:—

"In my half-yearly report, for April, '54, I stated that a depression in Trade had then existed for ten months; and no general revival has since taken place. On the contrary, many branches which were then pretty active, are now partaking of the prevailing dulness; and several Cotton Factories, particularly in the Weaving Trade, are working short time, and some of them have entirely ceased.

"Notwithstanding all this, 66 New Mills have been set to work in the half-year; and there is at this time a larger amount of Horses' Power employed in the various branches of the Cotton Trade, than has been the case at any former period. The joint report of the inspectors at the 31st October, 1853, showed that the increase during the year ending on that day, after deducting the unoccupied factories, had been 4,666 Horses' Power.

"In my reports for the years ending the 31st October, 1851 and 1852, I gave the increase in my own district in each of those years, but I have no means of knowing what was the increase in the rest of the United Kingdom; and, therefore, I cannot estimate the total increase; but with such figures as I possess, the account stands thus:—

Increase in my District in 1851	3,541	Horse Power.
„ „ 1852	2,572	„
„ in United Kingdom in 1853	4,666	„
	10,779	„
Increase in my District in the Year ending the 31st October, 1854	2,888	„
	13,667	„

And to this is to be added the increase in other parts of the United Kingdom, as will be shown in the joint report of the Inspectors.

"How far the long-existing depression is owing to Production exceeding Demand, whether more Cotton has been spun or woven than the various home and foreign markets now existing can take off at remunerating prices, in a tranquil state of political affairs, is a question very difficult of solution. If there be such over-production, a long continuance of unremunerating prices must be expected; for the owners of mills in which large capitals have been sunk in buildings and machinery, will continue to work for very small profits before they will stop."

Mr. Redgrave reported (31st October, 1854) in still more unfavourable terms of the depression in the West Riding, and particularly of the Worsted Trade at Bradford. He says: —

"The State of Trade throughout my District has continued as unsettled as during the six months ended 31st April last ('53). The Factories engaged in the Woollen Cloth Manufacture have been now well employed, many of them in completing Government Orders for the Army and Navy. The Flax Trade has suffered considerably: several factories have ceased to run, and the others are running more or less on short time.

"It is, however, the Worsted Manufacture which in my District has exhibited the greatest signs of depression. Bradford is the seat and centre of the Worsted Factories; and during the last six months the number of establishments which were fully employed has gradually diminished, and there are now few which are running full time. The return of New and Unoccupied Factories corroborates the different conditions of the Cotton, Woollen, Flax, and Worsted Manufactures in my districts. In the two former (Cotton and Wool), the number of New Factories greatly exceeds the number of those Closed; while of the Worsted Factories, the number closed is nearly double of the new and enlarged factories. That such should be the case at Bradford is not surprising, when its rapid growth, the multiplication of its factories, and the improvements and extension of their producing power, and the perseverance of its manufacturers are fully considered.

"Even a temporary depression in the Worsted Trade causes great difficulties to the commerce and operatives of Bradford; but at the present moment (Oct. '54), when it is estimated at Bradford that the production of goods is reduced to about one-third of the ordinary rate, the amount of suffering which has been caused must be very considerable. It is, however, a very marked feature, and speaks much for the patient endurance of

the operatives, that the number of applicants for relief bears but a very small proportion to the number of hands whose earnings have been materially lessened, or have altogether ceased. I find that, in the week ending the 13th instant, the number of persons relieved was 4,558, while during the corresponding week of the preceding year the number was 2,783.

The failures consequent on the crisis in America, and the glut in Australia, did not occur to any serious extent earlier than July. The greatest failure of all, namely, that of Mr. Oliver, of Liverpool, who, in the course of a short time, had become the registered owner of a very large fleet of vessels, did not occur till October.

In the United States the month of July was rendered memorable by the discovery of the forgeries of Robert Schuyler, who had availed himself of his position, as President of certain leading American Railways, to issue forged securities of the several companies, to the extent of nearly a million sterling. The failures and discredit in various parts of the Union were excessive, and a large number of Banks were swept away. In San Francisco, about the end of the year, there was something very like a general suspension of payments.

In the early part of 1854, the effect on the Freight Market, produced by the Government demand for Transports and Steam Vessels, was very marked. But it subsided rapidly after the summer.

The following Table shows the state of the Freight Market in London from 1852 to 1856.

And in the Table which appears at page 320, certain results have been reduced into a summary form, in order to exhibit the effect in 1854 and 1855 of the War Demand by Government for Steamers and Transports.

RATES OF FREIGHT paid in LONDON to Places as under, during the Months of January, April, July, and October, 1852–56.

1	2	3	4	5	6	7
DATES.	NEW YORK.	CALCUTTA.		MELBOURNE.		
		Weight: Goods.	Measurement: Goods.	Dead Weight.	Measurement.	Liquids in Bulk.
	per ton. s. d.	per ton. s. d.	per ton. s.	per ton. s.	per ton. s.	per ton. s.
1852.						
Jan. - -	15 –	15 –	22	25	42	52
Apl. - -	12 6	18 –	„	24	47	55
July - -	10 –	17 6	„	27	50	70
Oct. - -	12 6	22 –	25	30	60	75
1853.						
Jan. - -	20 –	24 –	30	35	80	110
Apl. - -	22 6	27 –	35	„	80	95
July - -	28 –	30 –	42	30	85	„
Oct. - -	20 –	37 –	45	„	70	85
1854.						
Jan. - -	20 –	40 –	47	37	90	110
Apl. - -	22 6	45 –	50	42	85	„
July - -	27 6	40 –	42	37	65	90
Oct. - -	20 –	30 –	35	40	„	85
1855.						
Jan. - -	12 6	20 –	25	30	45	60
Apl. - -	10 –	„	22	„	50	65
July - -	„	„	20	27	45	„
Oct. - -	„	„	„	30	37	60
1856.						
Jan. - -	„	25 –	25	27	40	55
Apl. - -	12 6	„	18	„	37	60
July - -	10 –	20	„	25	„	50
Oct. - -	9 –	„	20	„	„	47

CHARTERED BY GOVERNMENT AS TRANSPORTS for Purposes of the WAR; with the Rates of FREIGHT paid during Periods of Three Months, ended with and including the Months as under.

Three Months ended with and including	Rates paid per Ton per Month.		Number of Vessels Chartered.			
	Sailing Vessels.	Steamers.	Sailing.		Steamers.	
	s. s.	s. s.	No.	Tonnage.	No.	Tonnage.
1854 - Apl -	25 @ 35	35 @ 50	47	39,800	10	14,000
„ - July -	33 . 20	„	36	31,800	6	10,100
„ - Oct. -	20	40 . 60	5	3,700	6	7,800
1855 - Jan. -	20	40 . 60	17	15,800	44	31,900

In addition to the Sailing and Steam Transports, shown in this Table, as taken up from the General Mercantile Marine, the Government hired, from the Ocean-going Steam-Ship Companies, 36 Steam-Vessels of large size. These vessels were furnished as follows:—

	Steamers.	Tonnage.	Average Tonnage.
Peninsular and Oriental S. N. Co. - - -	10	16,600	1660
Royal Mail S. N. Co. (West India route) -	11	16,400	1500
North American S. N. Co. - - - - -	12	13,300	1100
South American, S. N. Co. - - - - -	3	3,000	1000
	36	59,300	

The largest of these vessels was the *Himalaya* (P. and O. S. N. Co.), 3550 tons; and thirteen others were of 1800 tons or upwards. These large vessels performed the voyage from Portsmouth to Constantinople in from *twelve to fifteen days*, against from *forty to fifty days* by the ordinary Sailing Transports. The rate of hire of the steamers taken up from the Navigation Companies was generally 50*s.* per ton per month. The removal of so many leading vessels from the Ocean Mail routes occasioned considerable delay at first, but smaller steamers were substituted, and the irregularities in the Mail Service were not serious nor of long continuance. In Parl. Papers 24/55 and 283/55, there are full returns of the Transport Service of the War.

The rise in the rate of freight, from April, 1852, to April, 1854, is very striking; and signally striking is the general fall after April, 1854.

The extra charge for Insurance, to cover War Risk, was very trifling.

At the close of 1854, Messrs. W. S. Lindsay and Co. gave the following account of the Trade in Ships during the year.

"During 1854 vessels rose to a higher price than they had ever been since the last War; and in some instances ships which

four years ago could have been bought for 15*l.* to 16*l.* per ton freely sold for 26*l.* to 27*l.*, and some cases 28*l.* per ton register.

"This arose entirely from the sudden demand created for A 1 vessels, suitable for the Transport Service when War was declared against Russia. At that time (March, 1854) our Government were paying 33*s.* to 35*s.* per register ton per month for Sailing Vessels; and even at these rates sufficient could not be found to meet the emergency. No sooner had our army embarked, than the demand ceased; and in less than two months afterwards, similar ships could easily be procured at the reduced rate of 20*s.* per register ton per month. At that rate far more ships are now offering than can find employment.

"The enormous temporary demand created a class of modern shipowners, who purchased largely on credit, entertaining the fallacious hope that that demand would continue while the War lasted. The year 1854 has been a most prosperous one to the legitimate shipowners — in short, to all who owned vessels previous to 1853—who held their property, and who did not invest beyond their means at the extravagant prices of the past year (1854).

"The blockade of the Russian Ports materially stopped the supply of Baltic Timber. This led to orders to America to engage, even at most extravagant rates, American vessels to load in the St. Lawrence with Timber and Deals for England; and these cargoes were, many of them, sold when they arrived at prices which barely paid freight and charges.

"At present (Dec. '54) the great demand for the Transport Service is for Steam Vessels, so that the hire of steam ships has risen from 35*s.* to 40*s.* per gross ton register per month to 55*s.* to 60*s.*; and even at that price, though every line of trade has been drained, even to the derangement of our postal services, sufficient Steamers cannot for the moment be found. That particular demand has led to increased activity among the shipbuilders and engineers of the Clyde and other places.

"Free Trade also is almost daily opening out new and important branches of Commerce, which absorb a large amount of tonnage; and we can yet hardly form a conception of the increase which will arise to our Carrying Trade from a free commercial policy."

And Messrs. Glover, Brothers, in their Circular of 31st December, '54, add some further singular facts.

"The Australian Trade, which began its rapid expansion in the summer of 1852, led to an era of high freights and plentiful employment of shipping, which cleared off all surplus tonnage. The demand continued during the whole of 1853, and until the summer of 1854. Up to July, '54, freights con-

tinued high, though considerably reduced; but since July the course has been downwards. From about July (1854) Australia ceased to be an extraordinary absorbent of tonnage.

"The declaration of War against Russia, in March, 1854, led to fluctuations in the Freight Market of the most extraordinary kind.

"For example, the freight to Calcutta, which is commonly 70*s.* to 80*s.*, and seldom above 100*s.*, ran up to 9*l.* The freight on Coal to Constantinople, which in ordinary times is 20*l.* per keil, ran up to 70*l.* From Quebec, whence the ordinary freight on Wood is 35*s.* per load, 55*s.* was paid."

I have already referred to the depreciation in the price of Timber in 1854. Messrs. Churchill and Sims, in their Circular of 31st Dec. 1854, give the following outline.

"After a progressive expansion for the five years, 1849 to 1853, both inclusive, the Wood Trade of the United Kingdom has received a check in 1854.

"The annually increasing demand for Wood has raised its value in the countries of its growth. There was also increased cost of carriage, particularly in 1853 and 1854. The importation of 1854, therefore, was projected on the basis of a higher import cost than had been previously known; and the early sales of the year being proportionately high, excited undue confidence and overtrading.

"An influx of large supplies from America appeared as the season advanced. The stocks were already heavy, and in one month prices fell to an extent equal to an average reduction of 25 per cent., and in some kinds of wood, 40 per cent. The effect, of course, was to stop for a time further importations."

From Bradford the following was the unfavourable report of the Manufactures of that district.

"The year 1854 has been full of disaster to our local trade. The contraction in the Worsted Trade has scarcely any precedent. From the middle to the end of 1853, all descriptions of Wool had undergone a somewhat serious fall, but there was some recovery towards the end of the year. The declaration of War led to a renewed fall. The lowest point was reached in English Wool during the earlier part of the Clipping season of 1854, and in the Colonial Wool during the latter part of the May sales.

"The decline in English Wool during the first six months of 1854, was scarcely less than 20 per cent.; and from the ex-

treme rates current at Midsummer, 1853, the average fall on different descriptions ranged from 30 to 40 per cent. The fall in the value of Colonial Wool was not so large, but simply because it did not attain so extravagant a height as English Wool. Nevertheless, Colonial Wool underwent a decline, from the highest point of 1853 to the lowest point of 1854, of about 20 per cent.

SECTION 11.

State of Trade in 1855.—*Review of the Influence of the War*, 1854–5.

In the course of 1855, the causes of depression which had been in operation in 1854, were still active, but the difficulties did not prove by any means so severe.

The year (1855) opened amidst great gloom. The public were beginning to understand the lamentable and critical condition of the Army in the Crimea; and the prospects of the new Campaign were of the most cheerless character. The Price of Corn was still high, notwithstanding the abundant crop of 1854. The heavy additional taxes, occasioned by the War, were severely felt by large classes of persons. Butchers' meat was very dear. The commercial collapse in the United States, the discredit in Australia, the civil war in China, and the unsettled state of Europe, all interfered with the progress of trade—particularly the External Trade.

The comparatively small number of articles of Raw Produce affected by the stoppage of supplies direct from Russia had already begun to fall in price. The neutrality of Prussia kept the trade open with the interior of Russia; and in the case of several of the articles, supplies had been obtained from India and elsewhere.

The demand by the Government for Ships had, in a great measure, ceased; and the liberation of transports, and the rapid progress of shipbuilding, not merely on the Clyde, but on the Tyne, at Sunderland and other places, had the effect of materially reducing the rates of freight. The extensive application also of the screw propeller, to the better class of merchant vessels, greatly reduced the length of voyages.

In the Flax and Woollen Trades, and all the manufactures connected with arms and accoutrements, the Government demand for War Purposes caused continuous activity.

As the year advanced, the unfavourable influences became less marked in their effects; and although there was no revival of the excitement of 1853, the reports from all the trading districts were free from representations of the prevalence of serious difficulties.

In the Produce markets there was generally a quiet and steady trade.

In some articles — Timber, for example — the enormous increase of the supply led to a serious fall in price. In the article of Sugar there was, towards the end of the year, a rapid rise of price, and considerable speculation, founded upon well-ascertained facts relative to the failure of the West Indian Crop.

And the circumstances connected with the prices and sales of Sugar, in the latter part of 1855 and the early part of 1856, afford a striking illustration of the fluctuations incidental to the markets for Produce in cases where the statistics of quantity, and of the ordinary rate of consumption, are perfectly known.

In this instance, the quantity imported, the quantity on which duty had been paid, and the quantity in Warehouse (being the only information which Government statistics could by possibility

supply), were perfectly known; and the rate of consumption was computed upon what was considered the solid ground of experience. Upon attention being drawn to the remarkable reduction of the stock on hand, the price rapidly advanced. But by the time, or rather before, the advance had reached its culminating point, the demand became wholly suspended. It was a case, not only in which the retail dealers eked out their existing stocks by supplying their customers without making fresh purchases from the wholesale grocers, but in which there was, as I have been assured by persons conversant with the trade, an immediate and entire cessation of consumption among extensive classes, — a total abstinence from their accustomed use of the article. And, accordingly, there were instances among the retail grocers of their not selling a single pound of Sugar until prices receded to what the public were satisfied was a reasonable rate.

This state of things in the Sugar Market is illustrative, not only of the inefficacy of a mere view to all the information that statistics can supply of the actual facts of quantity and computed rate of consumption in preventing undue fluctuation of prices; but it serves also to illustrate the difference of principle according to which the demand for Wheat and other articles of necessary food is determined, as compared with the demand for articles of produce not of the same necessity. There could be no such diminution of the consumption of Bread in consequence of an advance of the price, as there was of the consumption of Sugar, in the case which I have here referred to. A still greater difference might be pointed out in other articles of still less necessity than Sugar.

The Bank minimum rate of Discount remained at 5 per cent. (as fixed on the 27th July, '53) till the 5th April, 1855. It was then reduced to 4½ per cent. On the 3rd May it was further re-

duced to 4, — and on the 14th June still further reduced to 3½ per cent.

With September began, on the part of the Bank of England, with a view to retrieve the evils arising out of these rapid reductions, the series of measures which constituted the financial pressure of the close of the year. From 4 per cent., as fixed on the 4th September, '55, the minimum rate was run up to 6 and 7 per cent. by the 17th October ('55).

I have discussed these alterations at some length in the Fifth Part of these Volumes relating to Banking.

For the Half Year ended 30th April, 1855, Sir John Kincaid, the Factory Inspector for Scotland, gave the following report:—

"Mr. Sub-Inspector Balfour, in his last Report, states, with regard to the Manufacturing Interest in the Western district of Scotland, that it is still considerably depressed, but not so gloomy as it was some months ago; and two or three large Cotton Mills in Glasgow, that were on short time last February, are now working full time; and that certain branches of the Woollen Trade have rallied considerably within the last few weeks; that the manufacture of Cotton Thread maintains its character as the steadiest trade in the district, and some of the largest works in that branch are now occupied night and day.

"The Shawl Printworks have been dull, with the exception of Kilmarnock, where they appear to be in a prosperous state. The Bonnet Manufacturers there have also been fully employed in preparing supplies for the army and navy.

"In a recent visit to the Southern Division of the eastern district, though I found a number of the Mills not in full employment, they were all doing something, and the general feeling seemed healthy. Mr. Walker, however, reports, that in the north, mostly Flax Works, the trade is very depressed, and a great many workers, chiefly women and young persons, out of employment."

Mr. Horner's report from Lancashire for the Half Year ended 31st October, 1855, still bore testimony to the increase of Factory Power by the erection of New Mills. He says:—

"Eighteen months ago, I stated, in my half-yearly report, that a depression of trade had then existed for ten months; and in my report in April, 1855, I said that no revival had

taken place; but, I added, on the last occasion, that, nevertheless, sixty-six New Mills had been set to work the preceding half-year.

"On the present occasion I have the same apparently irreconcileable facts to repeat, that is, universal complaints among the occupiers of Cotton Factories, and yet many new cotton factories erected. I say 'apparently' irreconcileable, because it is very probable, that the falling off of the sales of individuals and the fall of prices are the necessary consequences of the increased competition. The new mills increasing the demand for the raw material, the supply remaining the same, must, by raising the price, still further diminish the profit. But it would require a far more extensive acquaintance with the trade, and a knowledge of many particulars which I do not possess, to enable me to come to anything like a sound conclusion as to the causes which have given rise to these long-continued complaints of the bad state of the Cotton Trade.

"However low the profits may have been, there appears to have been a great increase in the amount of the exports of the manufactured articles last year, judging from one of the usual circular letters from Manchester, on the 'state of trade,' which appeared in The Times newspaper of the 7th instant. It is there stated, that 'the total exports of the year show an in-'crease over those of 1854, in Cotton Yarns, of 8,500,000 lbs.; 'in plain calicoes, of 122,509,000 yards; and in printed and 'dyed calicoes, of 87,500,000 yards.'

"But the erection of New Mills shows, at least, that there are persons who, it must be presumed after due inquiry and consideration, have come to the conclusion that it would be a good investment of capital. Were they persons new to the trade, there might be doubts as to the soundness of their calculations; but many of the new mills have been erected by experienced cotton spinners and manufacturers, as additions to mills they already possess. Within the last two years, a cotton mill has been erected by one of the oldest and most extensive houses in that trade, which, I have been credibly informed, could not have cost less in building, fittings, and machinery than 90,000*l.*

"I have to report that, 71 New Cotton Mills, having a combined power of 1877 horses, were set to work in my district in the twelve months ending the 31st October, 1855; but during the same period 38 Mills, having a combined power of 835 horses, ceased to work; leaving the increase within the year 33 mills, with 1042 horses' power.

"In former returns I have given 'Additions to Factories,' that is, instances where additional power has been erected in existing factories. No such cases have come to the knowledge of the Sub-Inspectors during the year, although they may have occurred without their having been intimated."

Mr. Horner then refers to a return, in his Report for April, 1850, relative to the disproportion alleged to prevail at that time between the Price of Raw Cotton and the Price of Yarns and Goods. He proceeds to say that, as similar complaints were prevalent in 1855, he had instituted an inquiry similar to that of 1850, selecting the three dates of May, 1853, 1854, and 1855. Mr. Horner says:—

"Conceiving that it would be useful to have, at the distance of five years, a similar statement, I wrote to the same intelligent gentleman (a practical manufacturer in Lancashire), stating my wish, and forwarding to him a copy of the part of my Report of April, 1850. He has been so obliging as to furnish the following particulars:—

RAW COTTON, YARNS, and GOODS. — COMPARATIVE PRICES, 1st May, 1853, '54, and '55.

RAW COTTON.	1st May, 1853.			1st May, 1854.			1st May, 1855.		
	Ordinary.	Middling.	Fair.	Ordinary.	Middling.	Fair.	Ordinary.	Middling.	Fair.
	d.	*d.*	*d.*	*d.*	*d.*	*d.*	*d.*	*d.*	*d.*
Boweds - *lb.*	5 3/8	5 7/8	6 3/8	4 1/2	5 1/8	6 1/4	4 3/4	5 1/4	5 7/8
Mobile - - „	5 3/8	5 7/8	6 3/8	4 5/8	5 1/8	6 1/4	4 7/8	5 5/16	5 7/8
New Orleans - „	5 1/2	6	6 3/4	4 5/8	5 1/4	6 1/2	4 7/8	5 3/8	6 1/8

YARNS.	1st May.			COTTON GOODS.	1st May.		
	'53.	'54.	'55.		'53.	'54.	'55.
	d.	*d.*	*d.*		*s. d.*	*s. d.*	*s. d.*
20's Water, common - -	8 1/4	7 7/8	7 3/4	30 in. T. cloths, 4 lbs. - -	3 4	3 2 1/2	2 11 1/2
20's Water, best Wigan quality	9	8 7/8	8 3/4	36 in., 60 reed, 50 yds., 9 lb. 10 oz. to 9 lb.			
30's Mule, common - -	9	8 1/2	7 3/4	12 oz. -	10 3	9 4	9 2
30's Mule, best -	10	9 1/2	8 3/4	36 in., 72 reed, 25 yds., 5 lb. 12 oz. to 5 lb.			
40's Mule, common - -	9 5/8	8 7/8	8 1/2	14 oz. -	7 –	6 –	6 –
40's Mule, best -	10 1/4	10	9 3/4				

"The above Tables were accompanied with the following remarks, dated 12th December, 1855:

"'Towards *the end of May*, 1855, a large advance took place 'in Cotton without a corresponding advance in Yarns. The 'Middling' and 'Fair' qualities are the best to judge by, as 'they are best understood, and correspond with the statements 'of Cloth and Yarn also. This statement will clearly show the 'effects of dear provisions and other disturbing causes in 1855.'

"In a letter from the same gentleman, dated the 21st November, 1855, he makes the following statement:—

"'Mill-owners are unfortunately situated. Dear Coal, Dear 'Oil and Tallow, in short, everything wanted about a Mill, as 'well Cotton as the smallest article used, is excessively dear, 'rendering it impossible to produce Yarn and Goods at the pre-'vailing prices. We are told we have the remedy in our own 'hands by working short time, but no general agreement can 'be come to on this subject; besides, it is better to stop to-'tally than to work short time.'"

From Yorkshire, Mr. Redgrave gave a report (31st October, '55), similar to that from Lancashire. He says:—

"In laying before you the usual annual tabular statements of the number of New Factories set to work and of Factories Closed during the year ended the 31st October, 1855, I regret to be unable to inform you that the Manufacturing Industry of my District has exhibited any very marked activity in that period. There has been a certain amount of business, chiefly of a steady cautious character, sufficient in the Woollen Districts to give employment to many factories and to a large number of hands, although in some places the want of work has been felt.

"Again, in the Worsted Districts there has been a like condition of employment, but less general than in the Woollen Districts: in the latter large orders for clothing, both for the Army and Navy of our own Government, as well as for those of the Governments of France and Turkey, have kept many mills fully employed, and further orders are expected; but in the Worsted Districts, on the other hand, the high prices of provisions and of the raw material, compared with the price obtainable for manufactured goods, and the interruption of the ordinary course of trade, consequent in some degree upon the existing state of politics in Europe, have not been counterbalanced by any similar extraordinary demand.

"The official return, it is true, does not disclose an unfavourable state of trade, inasmuch as there continues to be a preponderance of New Factories over the number of those which have been altogether closed, and have ceased any longer to be factories;

but although at the present moment there is much Woollen machinery standing, and some Woollen Factories running short time, there has not been a succession of failures, by which the permanent withdrawal has been necessitated of a large amount of capital from investment in the Woollen or Worsted Factories, and the return does not include those factories which have temporarily ceased to work, but with the steam-engine and manufacturing machinery in good order, ready to be put into full operation the moment the prospects of trade appear to the owner sufficiently promising. The general condition of the Woollen and Worsted Trades, therefore, may be stated to differ little from that described in my late reports, and with no decided prospect of immediate improvement."

At the close of the year (1855) Messrs. W. S. Lindsay and Co. gave the following account of the Shipping Trade of the twelvemonth, — strongly testifying, it will be seen, to the increased supply of Ships:—

"In the Shipping Trade of the year 1855 there has been less fluctuation in Freights than might have been expected during a period of War. There has been, in fact, much less fluctuation, and a more steady demand for vessels, than we have found in years of peace. Trade has been more limited, and tonnage has been ample to meet its requirements. Freights have consequently ruled lower than in 1853 and 1854.

"The following Table will show the average rates at which Vessels were engaged in this country in 1853 and 1854: —

Destination.	1854.	1853.	
	s.	*s.*	
Bombay (general cargo)	30	41	per ton register.
Calcutta „	29	44	„
Hong Kong „	51	66	„
Sydney „	68	80	„
Port Phillip „	66	83	„
Odessa „	104	86	„

"Considering the greatly enhanced price of provisions, and the increased rate of wages, 1855 has been, with some exceptions, a far less remunerative year to shipowners than is generally supposed. The exceptions have been those owners of Large Vessels who held engagements in the Transport Service, more particularly owners of Steam-Ships.

"At the commencement of the year every trade was drained (to the serious derangement, in some cases, of the Postal Service) to secure vessels propelled by steam; and the rates of hire rose from 35*s.* to 40*s.* per month per gross register ton, to 55*s.*, 60*s.*, and 62*s.* 6*d.* This gave an enormous impetus to the con-

struction of Steam-Ships. The rates have now fallen, and at present (Dec. '55) the rates for Steamers are 40*s.* to 42*s.* 6*d.*, with many offering. Surplus Steamers are now finding their way, to the advantage of all concerned, into trades formerly carried on by sailing-vessels.

"The number of Iron Vessels now owned by this country is very great, and it is rapidly on the increase. On the Clyde it is a rare sight to see a ship built of wood. The Tyne-built are, also, almost all of iron. At Liverpool, also, iron is becoming much used; and even at Sunderland, where they have been so long accustomed to wooden vessels, some of the leading builders are directing their attention to iron.

"The application of the *small auxiliary Screw* to full-rigged vessels has now been tested, and its great value proved, and many vessels are being fitted with it. Before many years are over, the Australia and China Trades will be carried on in vessels of this description."

As regards the extent of Ship-Building on the Clyde, a Glasgow Circular gives the following figures of Iron Steam Ships built and building at 31st December of each of the years 1853–5.

	Launched in Year.		Building 31st Dec.	
Year.	No.	Tonnage.	No.	Tonnage.
1855	107	85,000	57	38,000
'54	129	70,000	54	47,000
'53	79	55,000	97	61,000

The report of the Manchester Markets during 1855 was as follows: —

"The year 1855 has been very unsatisfactory to the Spinners and Manufacturers of this district. At no period has the margin been so small between the price of the Raw Material and that of the manufactured article.

"In the early part of 1855, some of the Mills, though working full time, had part of the machinery lying idle. Again, in August and September, the Blackburn manufacturers set the example of working short time, but were not followed in other districts; and now (Dec. '55) in Manchester, a number of the Spinners have taken the opportunity to close *their Mills, in order to an adjustment of Wages.* All these circumstances lead us to the conviction that the margin allowed for cost of production and profit has been too small for a healthy trade to the mill-owners. The merchant, on the other hand, has had to encounter glutted markets in every quarter of the world, and has been compelled to exercise the greatest caution in making purchases."

And, writing on the same subject, Messrs. Du Fay and Co. said: —

"In 1854, the losses arising from the War fell chiefly on the Import and Export Merchants. But in 1855, the producers, namely, spinners and manufacturers, have chiefly suffered, owing to the disproportion which existed almost the whole year between the price of the raw material and the finished fabric."

The account given of the Worsted Trade was favourable; thus, —

"The Bradford Trade has been active, sound, and legitimate during 1855. At the close of 1854, prices of worsted goods had fallen to a point of great depression. During the earlier spring months of 1855, they were remarkably steady. They then became firm and buoyant, and gradually advanced until checked by the monetary difficulties of the autumn. During October, prices partially receded; but have since recovered, and are at present (December, 1855) very firm, at nearly the highest rates of the current year; and for some classes of goods, at higher rates than during any previous part of 1855. Notwithstanding the high price of provisions, the consumption of the Home Trade has, on the whole, been large and steady. To the Continent the Exports have been large; while to America, the Exports, instead of being large and losing, as in 1854, have been small, and very profitable."

The report of the Woollen Trade was also favourable. The Leeds Mercury said: —

"The year 1855 has been much better in the Woollen Districts than was expected at its commencement. It opened amidst much gloom and apprehension. The immensely overdone trade to Australia and America in 1854, was then being made known, and the fruits of its folly and recklessness felt. But early in February a healthier tone was visible.

"Several large Army Contracts for Clothing gave considerable activity to the trade in the Leeds District; and there commenced a steady trade, which continued, with scarcely any interruption, till September. The repressive measures of the Bank of England then led to the utmost caution, and to a trade from hand to mouth; but the year closes with a satisfactory trade, and the bulk of business has been for the Home Market. There have been diminished profits."

The yearly review from Dundee was also favour-

able on the whole, but described the War Demand as the principal cause of the activity.

"As regards the Linen Trade of Dundee, the year 1854 will be long memorable as one of panic and disaster. But the year 1855, just closed, has been marked by steady and comparatively moderate prices, exciting demand in the Home and Foreign markets, rendered almost dormant by the fictitious prices of 1854.

"*It is to the War Demand* that is chiefly owing the wonderful development of the Linen Trade in Forfarshire in 1855. The greatest demand was about the autumn. Machinery which had long stood still was set in motion, and new power-loom factories were planned. Wages quickly rose 20 per cent., and much of the machinery was short of hands."

The following extract from the Circular (31st Dec. 1855) of Messrs. H. J. and H. Thompson describes the very large trade in Tea in 1855 — a trade which was expected, *à priori*, to be materially interrupted by at least three causes; viz. (1), the civil war in China, in lessening supplies; (2), the necessity of paying for the Tea in Silver instead of by Goods, and so raising the import price; and (3), the diminution of consumption in this country, as a consequence of the dearness of provisions, and the comparative diminution of employment. The events, however, falsified all these anticipations. The Circular says:—

"In the Tea Trade of 1855 the most striking feature to notice is the extent both of Imports and Deliveries. Notwithstanding the increased troubles at Canton, leading to an almost total suspension of business at that port for some months,—the heavy decline in all descriptions here, and the great losses sustained in 1854, — the increasing value of money, and the high prices paid here for Silver remittances, causing all funds to be provided in China at a great disadvantage — such was the activity of the New Port of Foo Chow, and the confidence in the English market still entertained at Shanghai, that the result has been that we have received the largest Import ever known, namely, an excess of 6,000,000 lbs. over 1854, and 23,000,000 lbs. above the average of the five preceding years.

"The Deliveries, also, which, so far as regards Home Consumption, it might have been supposed, would have been checked, if not lessened by the largely increased cost of all articles of prime necessity, and also by the additional war duty on Tea

itself, have, on the contrary, steadily increased, and show a surplus of 3,000,000 lbs. over 1854, and of 11,000,000 lbs. over the average deliveries of the five years 1850–54. * * The market for all descriptions of Congou opened in 1855 with buoyancy, and for some time their value steadily advanced. Under the pressure of the Spring arrivals, they begun, however to decline; and the increased War Duty of 3*d.* per lb. taking effect from the 20th April (1855), and coming unexpectedly, harassed the dealers, and led to heaviness and lower prices.

"The Extra Duty, however, does not appear to have produced any effect in the quantity taken for Home Use; indeed it is now pretty evident that in pinching times, Tea is one of the last articles given up by the Poorer Classes; and it is believed that it is sometimes resorted to as a substitute for more solid and expensive aliment."

Of the effects produced by the War the following three extracts will afford curious evidence.

The first relates to the Timber Trade, and points out how the sudden demand for Timber for the Crimea relieved the importers from a pressure of Stocks which must soon have become ruinous. It also points out, very strikingly, the effect of the high prices of 1852 and 1853, and of the diversion of the demand from Russia, in opening up new fields of supply.

The second extract is from the Circular of a firm at St. Petersburg, and indicates the channel through which the Russia Trade was kept open during the blockade of the Baltic Ports.

The third extract is from the report, for 1855, of the Hull Chamber of Commerce, the port most intimately connected with the North of Europe.

As regards Timber, the Circular (31st Dec. '55) of Messrs. Churchill and Sons states as follows:—

"The Wood Trade of 1855 bears evidence of the change from Peace to War. For five years (1850–54) there was a growing increase in the trade; and in 1854 the Importation so much exceeded the consumption that a vast stock was collected in London, in Liverpool, and at all the great ports. The whole of this stock had been costly at the ports of shipment, was encumbered with extremely high rates of freight, and the value had so far declined that much of the Colonial Wood was only worth the freight and charges; and several branches of the Foreign supply were in the same state.

"To release this accumulation would seem to be the work of a year in the ordinary course of business; *but low prices conducing to rapid sale, followed by the extraordinary demand for materials for Barrack construction, swept off Colonial Spruce, Common Baltic Deals, and cheap Fir and Pine Timber.* No impression could be made on the great stock of Colonial Wood in London sufficiently early to open the door to the customary importation; but the arrears of Foreign Wood were so far consumed as to prepare the trade for the usual import.

"From the official returns we can compute the Importation and Home Consumption of Wood in the United Kingdom, as follows, viz.:—

IMPORTED.	1852. Loads.	1853. Loads.	1854. Loads.	1855. Loads.
Colonial Timber: Deals, &c.	1,151,000	1,200,000	1,440,000	948,000
Foreign " "	891,000	1,326,000	1,050,000	857,000
Total Imports -	2,042,000	2,526,000	2,490,000	1,805,000
CONSUMPTION.				
Colonial Timber: Deals, &c.	1,156,000	1,219,000	1,441,000	947,000
Foreign " "	945,000	1,066,000	1,162,000	950,000
	2,101,000	2,285,000	2,603,000	1,897,000

"As regards the Wood Trade of London, in 1855 — and in that year, as in the preceding years, about a fourth part of the entire Wood Trade devolved upon London — the facts were, that the void of the supplies from Russia was met by an addition almost equivalent from Sweden and Prussia; and from British North America the imports in 1855 were 65 per cent. less than in 1854. * * * Fir Timber is now prepared in the Gulf of Bothnia of nearly all required building dimensions. It has become, in conjunction with Polish Fir, the common building timber of London, and of the East Coast, South Coast, and centre of England; superseding the old trade in Pine Timber, both red and yellow, by reason of its lesser cost, and dispensing with the supply of the dearer Riga Fir, and also with much of the superior Memel and Dantzic. * * * The value of Swedish Timber was considered to be 70*s.* per load early in 1855; and it subsided to 60*s.* preparatory to the fresh import, and thenceforward remained tolerably steady. * * * In consequence of the cessation of our great Timber Trade with Russia, wood has been provided from other Baltic ports; and when Peace returns, prices in Russia will have to be lower, if Russia is to regain her position."

The Circular (31st December, '55) of Messrs. Cattley and Co., of St. Petersburg, contains the following passage: —

"The business done in 1855 in Russian produce has been extensive, considering the enormous expense, and the trouble and risk attending it; and there is already an evident inclination to make arrangements for continuing the overland trade in the summer of 1856, notwithstanding the experience we have had of the very serious rise which occasionally takes place in the rates of land carriage from hence (St. Petersburg) to Kowno, and in river freight from Kowno to Memel.

"The land carriage is considered moderate when at about 8*l.* per ton, and the river freight when at about 30*s.* per ton; and the advance in each has sometimes been 50 per cent. and upwards.

"On the subject of new supplies we are glad to give favourable reports. It is supposed, for example, that, in consequence of the existing high prices for Tallow, the quantity in 1856 may be 10,000 or 15,000 casks more than in 1855."

The Report for 1855 of the Hull Chamber of Commerce gives the following lucid account of the effects of the War on the commodities which, previous to it, were principally imported from Russia.

"The trade of this Port (Hull), largely concerned as it is known to be with the North of Europe, has not been so much limited in 1855 by the War with Russia as might have been reasonably anticipated; although, it must be remarked, that no port in the Kingdom has suffered so much as Hull from the Russian hostilities.

"The principal Imports from Russia, previous to the War, consisted of Hemp, Flax, Iron, Tallow, Linseed, Hides, Wood, Tar, and Deals; with large quantities of Wheat and Oats, when the prices in this country were such as to induce a trade in grain. The frontiers of Prussia being open to the transport of goods to and from Russia, it appears, that the articles of Flax, Hemp, Tallow, and Linseed, to some extent, have been able to bear the heavy land-carriage charges for shipment at Memel and Konigsberg, so that the importation of these articles (Linseed excepted) has been kept fully adequate to the consumption of this district.

"With a continuance of the War, there seems to be no probability of a want being felt for these articles, because, with increased experience, the arrangements for the Land Transport will be more maturely effected; moreover, the increased expense of carriage is not so injurious on the whole to Russia as was expected. The increased expense in the Exports from Russia is provided, to a great extent, by the higher prices in this country; and, as regards the Imports into Russia, as they are much more limited in quantity, they obtain the benefit of a plentiful return-carriage, and at very reduced rates. A large part of this Land Carriage goes into the hands of the

Russian landowner. The land carriage on Hemp, Flax, and Tallow from the Petersburg districts to Memel, is understood to be about 10*l.* to 12*l.* per ton.

"As with the transport of Russian articles over the Prussian frontier, so it has been by the coast of Sweden on the Gulf of Bothnia. Previous, and subsequent to, the blockade of the Finland ports, considerable traffic had taken place between these two countries; and it is through this channel that we have received the Finland Tar, while considerable Imports into Russia of Colonial and other produce have been effected through the same channel."

Linseed is the article most largely consumed in the seed-crushing mills here at Hull. The interruption of the supplies from Russia has led to large supplies from the East Indies. Still the falling off in supply has been so considerable as to fully explain the rise in the price.

SECTION 12.

Return of Peace early in 1856.—*Comparative Prices,* 1854, '55, *and* '56.

Early in January ('56), the rumours of approaching Peace were fully confirmed. The disposition on the part of Russia to seek a termination of the War seemed to admit of no question; and the only points left in suspense were the details of the Treaty to be framed at the Conferences at Paris. The year, therefore, may be considered as having proceeded, from the first, upon Peace anticipations.

It is sufficient for my purpose, in this place, to say, that the cessation of the War produced no very marked effect on Trade. In the Import markets, there has been a quiet and steady business; in the Manufacturing Districts, a fair share of prosperity, but entirely free from excitement or speculation.

The Bank of England Minimum rate remained at 6 and 7 per cent. (as fixed on 17th October,

'55,) until the 22nd May, '56. It was then reduced to 6 per cent.; a week afterwards (29th May) to 5 per cent.; and on the 26th June to 4½ per cent. On the 1st October ('56) the rate was raised to 6; and on the 6th October to 6 and 7 per cent.; and on the 13th November to 7 per cent. on all classes of Bills.

It was a subject of observation after the alterations of October ('56), that, so sound and steady were nearly all branches of trade, that even so serious a rise in the rate of discount had not, in the smallest degree, affected the markets. In the division of these Volumes relating to Banking, I have considered at some length the events of 1856, and to that division I may accordingly refer.

I will now, therefore, introduce the following Table of Comparative Prices in April, '54,—that is, at the opening of the War;—in July, '55, or when the first disturbances occasioned by the War had fully subsided;—and, lastly, in October, 1856, when Peace had been, in effect, re-established for nearly nine months.

It will be convenient to point out, as regards the two Metals, Copper and Tin,—the price of which has been continually rising during the last six or seven years,—that the real origin of the advance is traced to the difficulty which has been found in extending the supply in any ratio corresponding with the demand. The two metals are required year by year in larger quantities, as raw materials in a multitude of processes; and, unlike the case of Iron, there has been, so far, no discovery of new and abundant sources of supply of Copper and Tin. Recent reports have represented that Tin has been found in large quantities in Australia; and it is said, that the rise in the price of Copper to considerably above 100*l.* per ton, has brought into activity mines of that metal which it had been found impossible to work when the prices were considerably lower.

COMPARATIVE PRICES, 1854, 1855, *and* 1856.

		APRIL, '54.	JULY, '55.	OCT. '56.
	I.			
COFFEE	Brit. Plant. *cwt.*	52*s.* @ 88*s.*	47*s.* @ 90*s.*	51*s.* @ 85*s.*
SPIRITS	Rum, Jama. *gal.*	4*s.* 6*d.* . 5*s.*	3*s.* 6*d.* . 3*s.* 9*d.*	3*s.* 4*d.* . 3*s.* 6*d.*
SUGAR	Brit. W. I. *cwt.*	21*s.* . 29*s.*	20*s.* . 25*s.*	28*s.* . 33*s.*
TEA	Congou *lb.*	12*d.* . 22*d.*	8½*d.* . 28*d.*	8½*d.* . 28*d.*
TOBACCO	Virginia „	2½*d.* . 11*d.*	4*d.* . 10*d.*	4½*d.* . 11½*d.*
	II.			
COCHINEAL	*lb.*	50*d.* . 68*d.*	42*d.* . 52*d.*	43*d.* . 71*d.*
COTTON WOOL	Bow. Geo. „	4⅜*d.* . 5⅞*d.*	5½*d.* . 6¾*d.*	5*d.* . 7½*d.*
FLAX	Riga *ton*	35*l.* . 52*l.*	53*l.* . 54*l.*	52*l.* . 53*l.*
HEMP	St. Petersb. „	70*l.*	46*l.* . 47*l.*	34*l.* . 35*l.*
INDIGO	Bengal *lb.*	18*d.* . 87*d.*	15*d.* . 84*d.*	12*d.* . 89*d.*
LOGWOOD	Jama. *ton*	142*s.* . 150*s.*	90*s.* . 95*s.*	110*s.*
OIL	Gallipoli *tun*	63*l.* . 64*l.*	56*l.* . 57*l.*	55*l.* . 56*l.*
SALTPETRE	Rough *cwt.*	44*s.* . 46*s.*	22*s.* . 32*s.*	32*s.* . 37*s.*
SILK, RAW	China *lb.*	9*s.* . 20*s.*	8*s.* . 18*s.*	13*s.* . 26*s.*
TALLOW	St. Petersb. *cwt.*	68*s.*	53*s.*	52*s.*
TIMBER	Dantzic *load*	70*s.* . 95*s.*	65*s.* . 93*s.*	65*s.* . 85*s.*
WOOL, SHEEP'S	German sec. *lb.*	22*d.* . 26*d.*	22*d.* . 26*d.*	24*d.* . 28*d.*
	III.			
COPPER	Tough Eng. cake *ton*	126*l.*	126*l.*	107*l.*
IRON	Brit. bars „	10*l.*	8¾*l.*	9*l.*
TIN	Eng. bars *cwt.*	125*s.*	111*s.*	135*s.*
	IV.			
Bank of England Circulation (incl. B. P. B.) in hands of Public		23·38	21·96	22·30
Provincial Circl. of Great Britain		11·00	10·70	10·50
		34·38	32·66	32·80
Rate of Discount—Bank Minimum		5 per cent.	3½ per cent.	6–7 per cent.
„ „ Market		4½–5 „	3–4 „	6–7 „

There are several articles in this Table, the fluctuations in which arise palpably out of the War. For example, Rum has been falling in price since the first demand for victualling early in 1854. Hemp, in 1856, is only half the price of 1854. Saltpetre is, of course, very much cheaper; and so is Tallow.

Raw Silk, in October, 1856, is very much dearer than in the two preceding years, and for the sufficient reason, that, in 1856, the Silk Crop in China has failed. Timber and Oils are cheaper because of larger supplies; and Sugar is dearer in October, 1856, than in July, 1855, because the deficiency in the supply of Sugar from the crop of 1855 has not yet been quite overcome.

The amount of Bank Notes in Circulation at the three dates of the Table does not exhibit much variation.

The Rate of Discount, on a comparison of the same dates, does exhibit very important fluctuations.

The Rate in July '55 was from 1½ to 2 per cent. lower than in April, 1854; but a fall in the rate of discount had not been accompanied by any general rise of prices, but the contrary.

In Oct. '56, the Rate of Discount was twice the figure at which it stood in July '55; but there still was the same non-connection with the course of Prices, for dear money had prevailed concurrently with rising markets.

Summary

SECTION 13.

Summary of Conclusions with reference to the Prices of Commodities and State of Trade, 1848–56.

Without attempting to include in a Summary of Conclusions all the inferences which arise from the survey and narrative now concluded, I present the following statements as setting forth those results which are best established and most important: viz.:—

1. That, as regards the great articles of Import — such as Colonial and Tropical produce, and Commodities largely employed in this country, as Raw Materials of Manufacture — the course of Prices during the Nine Years 1848–56 may be described in general terms as follows; viz.:—During 1848 and 1849 there was a general and, in several important instances, a strong tendency to lower prices;—that, in 1850, partly in consequence of larger consumption, and partly in consequence of actual or apprehended failures of supply, prices sensibly and, in some cases, materially advanced; — that, in 1851, there was again an extensive and severe decline attributable almost wholly to excess of supply; — that, in 1852, there was a manifest tendency towards recovery; — that, in the first nine months of 1853, the upward tendency of the previous year reached its highest point, establishing and maintaining for nine months a range of prices considerably higher

than had prevailed for a long period; — that, from the autumn of 1853 to the close of 1854, there was a sensible reaction from the previous high rates, except as regards some of the articles immediately affected by operations or the commissariat consumption of the War;—and that, in 1855 and 1856, the markets were quiet and firm, exhibiting only such fluctuations as arose out of ordinary changes in supply and demand. In a future Part (VII.) I shall inquire how far the fluctuations of Prices now referred to were connected with the Influx of the New Gold.

2. That the first effects of the Californian Discoveries of 1848 were felt in this country in 1850 and 1851, and manifested themselves in the increased demand for British and Foreign articles suitable for the Export Trade to the United States; — that the same effects were still more sensibly felt in the course of 1852; — that, in 1853, the consumption of British goods in California and the United States generally had become so large and rapid, as to counteract almost entirely, as regards this country, any prejudicial effect upon the balance of trade of the vast imports of Grain rendered necessary by the serious failure, in these Islands, of the Harvest of 1853; — that the same large American demand for British Exports continued through 1854 and 1855, and has prevailed through 1856, interrupted but casually by the extensive failures and discredit which prevailed in the United States and California during portions of the years 1854 and 1855;—and that, as the general result of the Trade between this country and the United States since 1850, the ab-

sorption of British Exports, either in California itself, or in those regions of the North American Continent to which the supplies of Californian Gold are chiefly sent in the first instance, has increased so rapidly, as to render necessary a constant and large transmission of the Precious Metals from America to this country.

3. That the effects of the Australian Discoveries of the summer of 1851 were felt in this country, in a striking manner, early in the following year (1852); manifesting themselves in a sudden and large expansion of the stream of Emigration from these Islands, and in a sudden and large expansion in the shipment of nearly all descriptions of Commodities; — that the demand for Ships hence arising could not, in the then condition of the mercantile marine, be readily supplied; and the consequence was an enormous increase of the rates of Freight, and a demand for New Ships so urgent that considerably higher wages were at once conceded in all the Shipbuilding Trades; — that the same urgent demands for Australia, continued in the early part of 1853; —were considerably moderated in 1854; — still more reduced in 1855; — but in 1856 were again marked by considerable activity.

4. That the movement for Higher Wages, successfully commenced in the autumn of 1852, in the Shipbuilding Trades, became almost universal in the first half of 1853, and previous to September in that year had led to a very general addition of from 12 to 20 per cent. to the Wages current in 1851; but that the effect of the Bad Harvest of 1853, the War of 1854–5, and the

glut of the Australian markets, was to produce a considerable reaction, from this advance, especially in the Factory Districts.

5. That the first and immediate effect of the High Prices of Colonial and other Imported articles in 1852 and 1853, and of the High Prices and large demand for Manufactured Goods in the same years, was to occasion vigorous efforts and a large expenditure of capital, with a view to opening up new fields of supply, and creating extended means of production; and that it is principally to the operation of these causes, that the steady and frequently declining course of prices since 1853 is to be attributed.

6. That, as far as trustworthy evidence can be obtained, there are no facts in the experience of the last Nine Years which justify the conclusion, that in this country the fluctuation of Prices, the course of Trade, or the increased demand for Goods arising out of the large exports to America and Australia, were immediately preceded by, or connected with, changes in the amount of the aggregate outstanding Circulation of Bank Notes. In other words, all the evidence available to us points distinctly and uniformly to the conclusion that the Fluctuations of the Bank Note Circulation were determined and regulated by the consequences flowing from previous applications of Capital and Credit in particular modes.

7. That, further,—in a great number of specific instances, it can be shown conclusively, that Fluctuations of Price of the most important kind, and in the largest markets of the country, took place, either without the occurrence of any change what-

ever in the Bank Note Circulation, or contemporaneously with the occurrence of a change, the precise opposite of that which, on *à priori* grounds, or on the grounds on which the Currency Theory is built, would have been expected to precede or accompany the particular alteration in the markets.

8. That neither is there any such coincidence between variations in the Rate of Interest and variations in the Markets for Produce as to justify the inference of a direct connection between them, in the relation of Cause and Effect.

9. That the first effect of the Gold Discoveries, on the Financial Condition of this country, was the remarkable and prolonged depression of the Rates of Interest and Discount which prevailed during the twelvemonth preceding the spring of 1853;—that this effect on the rate of interest was the immediate consequence of an excessive accumulation, principally in the Bank of England, of the Earlier Remittances from California and Australia;—and that the influence produced by these accumulations, on Opinion and Credit, was greatly extended and aggravated by the maintenance, at the Bank of England, of a rate of Discount so low as 2 per cent., from April, 1852, to Jan. 1853.

10. That the Rise of the rate of Discount, which commenced in Jan. 1853, and has been maintained during the subsequent three years, is to be traced, in its origin and continuance, to extended demands for Capital for the purpose of new, distant, and costly enterprises;—directed either to the construction of public works, to the extension of old and introduction of new processes, or to the exploration of new fields for the supply of commodities;

—and that, so far as we can judge from recent experience, the absorption of Capital, for these and other objects, becomes more rapid and extensive with every year.

11. That the interruption to the Trade of the country, occasioned by the Russian War of 1854–5, was comparatively slight, and for five reasons, viz.:—(1) because the theatre of War was in a remote part of the East of Europe; (2) because the enemy had practically no Navy that could molest our Commerce; (4) because the Raw Materials previously obtained from Russia still continued to arrive through neutral ports, or were readily replaced by imports from India and elsewhere; and (5) lastly, because the invention of the Telegraph, the existence of Steam, and the enormous resources of our Mercantile Marine and Postal Services, enabled us to accomplish in a few weeks operations which, at the commencement of the Century, would have occupied a long series of months.

12. That, further, in addition to, and far more powerful than any of the five causes just enumerated, was the effect of the continued Influx of Gold during 1854 and 1855 — but especially during the latter portion of 1855 — in averting from this country, and from France, the extreme Financial Pressure and peril, which, in the absence of that Influx, must inevitably have been produced by the necessity of providing large and constant remittances of Gold to the Seat of War;—and must inevitably have placed entirely out of question the maintenance of the restrictions of the Bank

Charter Act of 1844, and perhaps have even imperilled the maintenance of the Act of 1819.

13. That, during the years 1848 and '49, and part of 1850, the losses and discredit which fell with crushing force on a large portion of the Middle Classes involved in the Railway Expenditure, did, beyond question, produce some important effect in limiting the consumption of commodities.

14. That, on the other hand, it was a direct consequence of the Railway Expenditure of the years 1848, '49, and '50, that the Working Classes were provided with fair employment during a period of interrupted trade; and it was also a direct consequence of the Cheapness of Food and the low range of general prices which prevailed to the year 1852, that the Working Classes were able to command, by means of their wages, a larger amount of sustenance and comfort, than had been within their reach probably at any former period of the Century.

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PART III.

PART III.

ON THE PROGRESS OF RAILWAY CONSTRUCTION IN THE UNITED KINGDOM AND IN FOREIGN COUNTRIES, FROM THE YEAR 1843 TO THE PRESENT TIME;—ON THE EFFECTS OF THE GREAT RAILWAY EXPENDITURE OF 1845-50;—AND ON THE OPERATION OF RAILWAY TRANSIT ON THE SUPPLY AND CONSUMPTION, AND THEREFORE ON THE PRICES, OF COMMODITIES.

SECTION 1.

General Outline of the Facts connected with the Construction of Railways, 1843–55.

AT the close of the year 1843, the number of Miles of Railway open in the United Kingdom was a little over 2000, and the total amount of Capital expended in the construction was about 65 Millions sterling. In the United States the mileage open was about 3000. In France the Legislature was still engaged in discussing the general principles which should determine the relations of the State to these great works. In Germany more progress had been accomplished, and several lines were in operation; but in Belgium the most rapid advances had been made towards a perfect system of inland transit by means of railways.

During the four years ended with 1847, the whole complexion of the case had been changed.

In the United Kingdom the mileage open had been doubled (that is, raised to 4000 miles), and the miles in progress were but little short of those completed. The actual sum expended had risen from 65 Millions to 170 Millions, and had proceeded for two years (1846–7) at the rate of 40 Millions per annum. In the United States the mileage open had risen to 5300 miles. In France not more than 1000 miles had been achieved; and in Germany the progress had been slow compared with this country.

During the two years 1848–49, the addition to the mileage open in the United Kingdom was quite 2000 miles,—raising the extent of working line to 6000 miles. The expenditure was 30 Millions per annum for the two years; and, at the end of 1849, the total cost of the British Railways was 230 Millions.

At this point must always be drawn the broad and legible line marking the termination of the great effort which, within the space of Four Years (1846–49), conferred upon the island of Great Britain an extent and system of railway communication far exceeding that of any other country. It is true that in America the progress of railway construction had been rapid, but not so rapid as in this country, when proper allowance is made for difference of circumstances, and for the comparative magnitudes of the area to be supplied. In France and Germany the troubles of 1848 had, in both cases, suspended all public works.

The six years 1850–55 have been occupied, in this country, in gradually completing the schemes of the earlier periods, and at a rate of annual expenditure of about 10 Millions for the six years; making, at the end of 1855, a total expenditure of

300 Millions, by means of which we are at length in possession of about 8200 miles of working railway.

In the United States those six years have produced still more striking results. There the mileage has been more than trebled, or raised to nearly 24,000 miles. But in France and Germany the same six years have seen no great advancement. At the close of 1855 the mileage open in France (3000 miles) was hardly equal to the mileage open in the single State of New York, notwithstanding that the area of France is more than four times the area of New York. And as regards Germany,—while that country is five times the size of England, its railways are, by 600 miles, less extensive.

These are the general outlines of the great revolution which ten years have sufficed to accomplish in the Means of Communication between one part and another of those countries of the world peopled by the most active and energetic races; and further, in the means of communication between countries and regions foreign to, and remote from, each other.

The construction of these Forty Thousand Miles of Railway, in Europe and America, has in a great measure obliterated most of the former modes of estimating the effects of time and distance. Every mile of iron road that has been laid down has connected together a new or an old field of supply, with a wider circle of consumers; and it has removed or diminished discrepancies of price and inequalities of distribution. Aided by the facilities of the electric telegraph, extensive States have acquired, for most purposes of commerce, the concentration of a single city. Sources of supply, formerly cut off from profitable application, by the cost of conveying the produce to the place where alone it could command a sale, have been

raised at once into activity and value; and acted upon in an infinitude of ways, and over all degrees of latitude, by this new and levelling agent of Rapid and Easy Transit, it is certain that the whole economy of production and distribution is undergoing a change as complete and lasting as that which Printing accomplished for learning, or the discovery of Steam for machinery.

SECTION 2.

Statements relative to the Expenditure of Capital on Railways in the United Kingdom, 1844–55.

Passing over the extraordinary and, on many grounds, the discreditable excitement which prevailed in this country in connection with Railway enterprise in the three years 1844, '45 and '46; and also passing over the exceptional experience of 1847; it is probable that the severest pressure of the expenditure on Railways was felt during the three years 1848, '49, and '50.

But before entering into details it will be desirable to introduce the following statement (A.) of the general progress of the Expenditure on Railways in the United Kingdom during each year, from 1844 to 1855.

The Statement, first of all, exhibits the magnitude of the Expenditure and Mileage at the close of the year 1843; and then traces year by year the progress of the Railway Undertakings — the Mileage Cost — and the Total and Mileage Traffic.

(A.) RAILWAYS. — UNITED KINGDOM. — *STATEMENT OF EXPENDITURE, &c. at 31st Dec. 1843, and during each subsequent Year to 1855.*

1	2	3	4	5	6	7	8	9
Year ended 31. Dec.	Authorised to be raised by Acts as Shares and Loans.	Raised and Expended.			Miles opened for Traffic.		Traffic Receipts.	
		By Shares.	By Loans.	TOTALS.	Opened in Year.	Cost per Mile of Total Miles in Work.	Total in Year.	Equal per Mile per Annum.
	Mlns. £	Mlns. £	Mlns. £	Mlns. £	Miles. No.	£	Mlns. £	£
To 31. Dec. 1843	81·9	43·5	22·1	65·6	2036	.	.	.
1844	20·4	4·3	2·4	6·7	204	35,700	.	3280
'45	60·5	15·6	0·6	16·2	296	35,000	.	3470
'46	131·7	30·8	6·9	37·8	606	31,800	.	3300
'47	44·2	31·9	8·8	40·7	803	31,700	9·0	2870
	338·7	126·1	40·9	167·0	3945	33,500		
1848	15·3	30·4	2·7	33·2	1182	34,200	10·1	2560
'49	3·9	21·9	7·7	29·6	869	35,200	11·8	2100
'50	4·1	6·3	4·2	10·5	625	35,200	13·2	2080
	362·0	184·7	55·5	240·3	6621	35,000		
1851	9·5	4·8	3·2	8·0	269	35,100	15·0	2220
'52	4·3	10·6	5·4	16·0	446	34,600	15·7	2200
'53	15·5	8·5	0·7	9·2	350	35,100	18·0	2408
	391·3	208·6	64·7	273·5	7686	35,000		
1854	9·2	7·0	5·9	12·9	368	34,600	20·2	2580
'55	9·2	7·0	4·5	11·5	226	35,000	22·0	2660
	409·7	222·6	75·0	297·9	8280	35,000		

NOTE.—In compiling this and several other of the statements relating to railways, material assistance has been derived from the able Official Reports of Captain Galton of the Railway Department of the Board of Trade, particularly from the Report for 1854; at the same time recourse has been had to a great variety of sources of information.

The five unit end figures (thus, 9·2=9,200,000) are omitted in all the columns *except* columns 6, 7, and 9.

The preceding statement is divided into Groups of Years, in accordance with the peculiarities of the several periods of the expenditure.

With 1847 terminated the mass of applications to parliament for new lines; and with 1849 terminated

the enormous outlay of 30 to 40 Millions a year. With 1847 and 1848, also terminated the large average annual receipts per mile, which had enabled the leading lines to pay, up to that time, dividends of eight and ten per cent.; and it will be seen, that it was not until 1853 that the average Traffic receipts per mile per annum, exhibited any sensible recovery from the extreme depression which had then prevailed for nearly five years.

Proceeding a step further;—If to the statement (A.) we join the next statement (B.), we shall obtain a still clearer insight into the effects produced by the Railway Expenditure.

(B.) RAILWAYS. — UNITED KINGDOM. —*PROPORTION of CAPITAL raised by PREFERENCE SHARES, LOANS, and ORDINARY SHARES; the RATE per Cent. per Ann. yielded by each Kind; and the NUMBER of FIRST, SECOND, and THIRD and FOURTH CLASS TICKETS issued.*

1	2	3	4	5	6	7	8	9	10	11	12
Total Capital actually raised.	Year ended 31. Dec.	Per Centage of Total Capital Raised, represented by			Average Rates of Interest paid on			Number of Passengers conveyed in Year.			
		Preference Shares.	Loans	Ordinary Shares.	Preference Shares.	Loans.	Ordinary Shares.	First Class.	Second Class.	Third and Fourth Class.	Total.
Mins. £		Per Ct.	Per Ct.	Per Ct.	Per Ct. per Ann.	Per Ct. per Ann.	Per Ct. per Ann.	Mins. No.	Mins. No.	Mins. No.	Mins. No.
200·2	1848	.	.	.	.	4·62	.	.	.	.	.
229·7	'49	8·7	22·2	69·1	5·63	4·67	1·88	7·3	23·5	32·9	63·8
240·3	'50	14·6	22·8	62·6	5·61	4·60	1·83	8·4	27·1	37·3	72·8
248·2	'51	14·1	20·0	65·9	5·26	4·54	2·44	10·0	30·5	44·8	85·4
264·1	'52	14·8	24·2	61·0	5·21	4·18	2·40	10·5	31·8	46·8	89·1
273·3	'53	15·7	23·8	60·5	5·0	4·14	3·05	12·6	36·6	53·0	102·3
286·0	'54	17·0	24·9	58·1	5·0	4·27	3·39	14·5	37·9	58·7	111·2
297·6	'55	17·7	25·3	57·0	4·92	4·35	3·12	15·6	39·0	63·9	118·6

NOTE.—This Table may be read thus:—On 31st Dec. 1854, there was actually raised by Shares and Loans, and invested in Railways in the United Kingdom, £286,000,000. Of this amount 17·0 per cent. (or £49,000,000) was in Preference Shares, paying £5 per cent. per ann.;—24·9 per cent. (or £70,000,000) was in Loans, paying £4·27 per cent. per ann.;—and 58·1 per cent. (or £166,000,000.) was in Ordinary Shares, paying £3·39 per cent. per ann. In arriving at these results, 45 per cent of the gross receipts is first deducted for Working Expenses. — In 1854 also 111,200,000 journeys were performed by Passengers; or, in other words, 111,200,000 *passenger fares* were received by the Railway Companies.

The six columns (3—8) of this table exhibit very plainly the pressure of the Expenditure as it rapidly assumed proportions so vast.

In 1849, when the expenditure had reached 230 Millions, the proportion of that expenditure raised by *Preference* Capital, was only 8·7 per cent.; but the rate of interest paid for that preference capital was 5*l.* 12*s.* per cent. per annum, while the Capital of the ordinary shareholders was yielding only 1*l.* 19*s.* per cent. per annum.

By the end of 1852, when the Total Expenditure had risen to 264 Millions, the proportion of Preference Capital had been nearly doubled; but, happily for the borrowers, the fall of the rate of interest had enabled them to reduce the 5*l.* 12*s.* per cent., paid in 1849, to 5*l.* 4*s.* per cent.; and, still further, the slowly increasing mileage receipts had raised the ordinary Dividends from 1*l.* 19*s.* per cent. to 2*l.* 8*s.* per cent.

With 1853 a more favourable state of things commenced; and the promoters of railways were able, not merely to reduce considerably the rate of interest on the large amount of capital raised by them on Loan (in the form of debentures); but also to supply, in that mode, and not by preference shares, nearly all the resources which could not be procured from the ordinary subscribers; and the average rate of Dividend payable on the ordinary share capital had risen to the comparatively favourable result of something more than 3*l.* per cent. per annum. In 1854, this dividend had still further improved to 3*l.* 8*s.* per cent.

The last four columns of the table (9—12) exhibit the increase of the Passenger Traffic, and suggest very forcibly the magnitude of the changes flowing from the Railway System.

In the six years 1849–54, the number of tickets issued was increased by 60 millions; and, of these 60 millions, 50 millions were of the second and

third classes. And I may mention here a further illustration of the effects of Railways in economising expenditure, afforded by the returns of Assessed Taxes in Great Britain. We find, for example, that the number of two-wheeled vehicles, drawn by one horse, fell, in the ten years from 1842 to 1852, from 35,200 to 17,600; and the number of single horses kept for private use, from 86,000 to 71,800. And these are merely specimens of a large class of similar facts, all pointing to the changes produced by the new, rapid, and cheap means of transport.

SECTION 3.

The Extent of the Employment arising from the Railway Works, 1848–54.—*Also the Traffic of the same Period.*

There are two further statements required to complete the view of the progress of the Railways in this country. The first of these (C.) will exhibit the number of persons Employed in the construction and working of the lines;—and the second (D.) will exhibit the component elements of the Traffic from year to year.

First, as regards the number of persons Employed, the following are the facts,—commencing with the year 1848, proceeding year by year to 1855, and distinguishing between the Persons employed in *constructing* new Lines, and in *working* Lines already open:—

(C.) RAILWAYS.—UNITED KINGDOM.—*STATEMENT of NUMBER of PERSONS employed on Lines under Construction, and on Lines Open, on the Dates of 30th June, in Years* 1848 *to* 1854.

1	2	3	4	5	6	7	8
Lines in course of Construction.				Lines Open for Traffic.			
Miles under Construction.	Persons employed.		On 30th June of Years as under.	Persons employed.		Miles Open.	Railway Stations in Use.
	Average Persons per Mile.	Total Persons.		Total Persons.	Average Persons per Mile.		
No.	No.	No.		No.	No.	No.	No.
2960	63·6	188,000	1848	52,700	12·3	4250	1320
1500	69·0	104,000	'49	56,000	10·2	5450	1850
860	68·1	59,000	'50	60,300	9·6	6310	2030
730	58·5	43,000	'51	63,600	9·5	6700	2100
740	48·7	36,000	'52	67,600	9·5	7070	2250
680	55·4	38,000	'53	80,400	10·7	7510	2460
890	51·1	45,000	'54	90,400	11·6	7800	2410
880	43·8	38,000	'55	98,000	12·1	8120	2800

The information afforded by this Table (C.) is important, as enabling us to form something like a precise estimate of the real magnitude of that body of Labourers, who were specially and specifically set in motion by the Railway Expenditure, during the five years, 1846–50, of its largest amount.

In 1848 (the first year in Table C.) the Expenditure is returned at 33 Millions; in the year before (1847) at 40 Millions. It has been usual to assume that *a-fifth* should be deducted for the cost of land and law expenses, before we can arrive at the amount really expended in Materials and Wages necessary for the construction of the Line. It is pretty certain, therefore, that, on the average of the two years 1847–8, the Railway Expenditure for Materials and Wages was, say 30 Millions per annum; and these were the two years of greatest outlay.

It appears that, in 1848, the number of men actually employed as "navvies," and in other capacities, on the sites of the various lines of railway then in course of construction, was 188,000. Besides this army of persons directly employed on the works, there was the further large number of artisans, scattered over the different workshops of the country, engaged in preparing the iron rails; the materials for the stations; in building locomotives, carriages, and waggons; in cutting and preparing timber for sleepers; and other processes, all indispensable to the completion of the work. Of the number of persons employed in these additional operations we can only form an estimate. It appears to me, however, that during the two years 1847–8, the Railway Expenditure may be safely assumed to have given employment to, at least, 300,000 Workmen, on and off the lines; and that, as a general result, hardly less than a Million Persons (men, women, and children) were dependent, during these two years, on employment flowing from the Railway Works in progress.

After 1848, we find, from Table (C.), that the number of men employed in construction declined rapidly. On the other hand, the number of men employed, in working the Railways Open, rapidly increased. But the increase of the one must not be set against the decline of the other; for the kind of employment afforded by the Lines Open was very different from that which was afforded by the Lines Constructing.

Let us now examine the component parts of the Annual Traffic of the six years, 1849–54,—taking care to distinguish not only the several divisions of the United Kingdom, but also the two fundamental divisions of the Traffic itself — namely, Passengers and Goods.

(D.) RAILWAYS. — UNITED KINGDOM. — *STATEMENT of MILEAGE open in ENGLAND, SCOTLAND, and IRELAND respectively, during the Six Years* 1849 *to* 1854, *both inclusive; with Columns of the EARNINGS from PASSENGERS and GOODS.*

1	2	3	4	5	6	7	8	9	10	11	12	13
Years ended 31 Dec.	England and Wales.				Scotland.				Ireland.			
	Mean Mileage open.	Traffic Receipts.			Mean Mileage open.	Traffic Receipts.			Mean Mileage open.	Traffic Receipts.		
		Total per Mile.	Per Centage.			Total per Mile.	Per Centage.			Total per Mile.	Per Centage.	
			From Passengers.	From Goods.			From Passengers.	From Goods.			From Passengers.	From Goods.
	No.	£	Per Ct.	Per Ct.	No.	£	Per Ct.	Per Ct.	No.	£	Per Ct.	Per Ct.
1849	4350	2340	53·4	46·6	790	1500	45·4	54·6	430	970	69·5	30·5
'50	4900	2310	51·8	48·2	900	1460	45·4	54·6	515	1000	66·0	34·0
'51	5220	2490	53·5	46·5	960	1500	43·3	56·7	580	970	64·8	35·2
'52	5480	2460	49·6	50·3	970	1620	41·0	59·0	670	1020	64·1	35·9
'58	5730	2700	47·4	52·5	990	1790	39·5	60·5	770	1080	64·6	35·4
'54	5960	2900	45·5	54·5	1020	1960	37·8	62·1	860	1010	59·6	40·4
'55	6160	3000	44·5	55·5	1070	2000	36·2	63·8	940	1060	58·0	42·0

NOTE. — This Table may be read thus: — In 1854 the mean mileage open in England during the whole year was 5960; the average earnings per mile were £2900; and of that sum per mile 45·5 per cent. was from Passengers, and 54·5 per cent. from Goods.

As regards the *Working Expenses:* — In 1854 the Working Expenses were, of the Gross Receipts, 45 per cent. in England, 43 per cent. in Scotland, and 46 per cent. in Ireland; or 45 per cent. for the United Kingdom. And these Working Expenses were composed as follows: that is to say, the following were the per centages of the different heads of the total amount of the expenses in 1854 and 1855: —

Component Parts of £100 of Working Expenses in 1854 *and* 1855.

Charge for	England.		Scotland.		Ireland.		U. Kingdom.	
	1854. Per Ct.	1855. Per Ct.	1854. Per Ct	1855. Per Ct.	1854. Per Ct.	1855. Per Ct.	1854. Per Ct.	1855. Per Ct.
Maintenance of Way - -	14·5	14·4	15·9	14·5	14·6	12·9	14·7	14·4
Locomotive & Rolling Stock	39·7	38·0	42·9	40·3	44·8	43·1	40·2	38·4
Traffic Charges - - -	26·1	26·6	20·5	25·1	23·4	25·8	25·4	26·4
Police, &c. - - - -	11·6	13·4	16·0	15·8	14·6	14·1	12·2	13·7
Rates and Government Duty	8·1	7·5	4·7	4·3	2·6	4·1	7·5	7·1
	100·	100·	100·	100·	100·	100·	100·	100·

The reduction exhibited in 1855, under the two leading heads of Maintenance of Way and Locomotive Stock, are remarkable in each of the three divisions of the Kingdom; and would seem to indicate that further practical experience is enabling the Railway Engineers to introduce important economies into the details of railway working. The diminution also in the Rates and Government Duty indicates the vigour with which the Railways carry on the war against excessive parochial assessments on Railway property.

The prominent feature in this statement, is the rapidity with which the Goods Traffic has become the element of greatest magnitude in the revenue of railway companies in England and Scotland. In relative importance, as sources of revenue, the Passenger and the Goods Traffic have exactly changed places between 1849 and 1854. In Ireland there is every reason to anticipate a similar result in a few years.

That the carriage of Goods would be of more importance as a matter of revenue than the carriage of Passengers, did not enter into the calculations of the projectors of railways until a comparatively recent period. The truth is, that the railways themselves have, in a great measure, created the traffic in merchandise; — on the tolls obtained from which they now depend for nearly 60 per cent. of their Annual Income. Facility of transport has rendered it highly profitable to convey coals, cattle, minerals, fish, dairy and garden produce, slate, timber, granite, and a thousand other commodities, over long distances, to points of consumption previously as inaccessible as the tropics. And extravagant, and wild, as were most of the statements made in 1844 and 1845, before the Parliamentary Committees, by the singular race of men, who then occupied so large a share of attention under the title of Traffic Takers—that is, persons who undertook to prove, by certain data, that the traffic of a given district justified a particular projected line of railway—we are compelled, by the strongest evidence, to admit, that even men like these, urged on all sides to indulge an unbounded license in anticipations of the future, were unable to imagine a rate of progress so rapid as that which has actually taken place.

SECTION 4.

The Prices of Railway Shares, 1845–50.—*Mr. Hudson's Career.*

We have now traced, in some detail, the facts connected with the progress of the actual Construction of Railways, and we may now investigate, with greater advantage, some of the immediate financial consequences of the Railway Expenditure.

There are Three Periods, very distinctly marked in the financial history of that Expenditure. For example:—

(1.) To the Three excited years, 1844, '45, and '46, it is sufficient simply to refer. They were a period of extravagance and delusion.

(2.) The next Four years, 1847, '48, '49, and '50, witnessed the extreme pressure entailed by the vast schemes of the previous years.

(3.) With 1851 began a sensible recovery. The crisis had been passed; and every subsequent year has contributed to improve the value of railway investments.

In the following Table (E.), this general statement is illustrated by quotations of the Price of the Stock of seven of the leading lines, from the end of 1846 to the end of 1851.

(E.) *PRICES OF RAILWAY STOCK* (i. e. *of £100 paid up*) *on Seven leading Lines*, 1846—1851.

Lines.	1846. 1 Jan.	'47. 1 Jan.	'48. 1 Jan.	'48. 1 July.	'49. 1 Jan.	'49. 1 May	'50 1 Jan.	'51. 1 Jan.	'52. 1 Jan.
London & N. West.	215	196	150	121	125	130	109	123¾	118
Great Western -	195	150	105	93	93	93	58	77	86
South Western -	150	170	120	94	80	72	61	66	87
Midland - -	150	130	107	100	85	70	45	47	57

Lines.	1846. 1 Jan.	'47. 1 Jan.	'48. 1 Jan.	'48. 1 July.	'49. 1 Jan.	'49. 1 May.	'50. 1 Jan.	'51. 1 Jan.	'52. 1 Jan.
Brighton - -	135	118	82	62	62	76	80	87	95
South Eastern -	120	120	90	70	72	63	57	66	64
York & N. Mid. -	210	190	144	140	110	74	34	44	44

NOTE. — These quotations have been all reduced to the uniform standard of the market value of £100 *paid up* Stock or share. By this means the confusion arising from various denominations of shares, with various amounts paid up at various times, is avoided.

The prices given above, as prevailing at the close of 1845, were not by any means so high as had prevailed during a considerable part of that year; but compared with the prices which prevailed to the close of 1851, they were sufficiently remarkable.

A most marked decline took place, of course, during the pressure of 1847; and we trace that decline in the third column of the table.

The apprehensions excited by the French Revolution, acting in conjunction with other causes of difficulty, led to another heavy fall of prices in the first six months of 1848; and, in a great many cases, the decline continued its career to the end of the year. In the autumn of that year (1848) all the principal Railways issued elaborate statements of their financial condition, with the view of re-assuring the minds of their shareholders and the public. But the success attending these expositions was not considerable.

In February, 1849, the first disclosures took place on the subject of Mr. Hudson's mismanagement and delinquencies; and in the lines with which he was connected (the Midland, York and North Midland, &c.), the fall in the market price of the shares was ruinous. It appears, for example, by the table, that Midland shares, which sold for 85*l.* on the 1st January, 1849, had fallen to 70*l.* on the 1st July; and to 45*l.* by the end of the year. The year 1849 was probably the period of greatest disaster and distress to those persons who were embarked in railway enterprises.

The career of Mr. Hudson, as a leading person-

age connected with Railways during the period from 1843 to 1848, is one of the most singular, as well as one of the most disgraceful, incidents of the commercial history of the present century.

During the years 1845, '46, and '47, Mr. Hudson was besought, by numerous bodies of railway shareholders, to place himself, on his own terms, at the head of their concerns; and, in point of fact, he did become Chairman, or rather Dictator, of six or seven of the leading Lines. At that time it was the fashion to ascribe to him every attribute of financial and administrative skill. He became a conspicuous protectionist member of parliament, and his house a great centre of fashion. In 1849 came the reverse. The investigation, of first one, and then another of the Hudson Lines, made it apparent that, from the first, Mr. Hudson had been instrumental in spreading the grossest deceptions. His ten per cent. dividends were obtained by the coarse process of altering the accounts; or, according to a phrase first employed by one of his confidential subordinates, by "cooking the accounts, in order to make things pleasant." All the administrative details of his Lines were in lamentable disorder. He had not introduced a single new, or a single sound principle, nor raised up one man of eminent ability. The whole system was a huge fraud, and fell utterly to pieces on the admission of the first ray of light.

SECTION 5.

The Gradual Improvement in Railway Property, 1850–56.

In the course of 1850 there was some recovery from the depression of the previous year. The Ex-

penditure of 1850 was only 10 Millions; and, consequently, the severe strain of the Calls was greatly lessened. But in 1850 occurred the failure, as I shall presently have to explain, of the class of Banks, called Exchange Banks; established principally in Scotland, for the especial purpose of making advances on railway shares.

In 1851 the improvement in the Prices of Railway Property became confirmed.

In 1852 still further progress was made; for these securities, as well as all others, felt the advantage of the low rates of interest which then prevailed. With the close of 1853 came the apprehensions of the War, and difficulties in the money market; and these causes produced their effect on railway shares. In a few instances also,—the most important being that of the Great Western,—the market price was seriously affected by reductions of the rate of dividend.

It may be said, however, in general terms, that with the year 1852, terminated nearly all the difficulties of the Railway Companies, arising from causes within themselves. There were, of course, peculiar cases, in which improvident or careless management involved a Line in more or less discredit; still the general fact remained unimpaired, that the financial difficulties of these great works was at an end.

In point of fact, the low rates of interest which prevailed in 1852, led to the reappearance, in the summer of that year, of some symptoms of the Railway Speculation.

In the course of the months of July, August, September, and October (1852), a considerable number of prospectuses of new railways made their appearance; and some of them were carried so far as the Parliamentary Committee. The amount of proposed capital, set forth in these prospectuses, as required within the United

Kingdom, was about 10 Millions. But a further sum, of about 17 Millions, was set forth in prospectuses relating to railways to be constructed in Foreign Countries, or in the Colonies. The speculation did not proceed to inordinate lengths; but it was a manifestation that the severity of the pressure entailed by 1845 was rapidly disappearing.

And here we may introduce a further statement of Prices from 1853 to 1856.

(F.) *PRICES OF RAILWAY STOCK* (i. e. £100 *paid up*), 1853—1856.

LINES.	1853. 1 Jan.	'54. 1 Jan.	'55. 1 Jan.	'56. 1 Jan.	56. 1 Aug.
London & Nor. West. -	127	102	100	94	108
Great Western - -	96	84	70	53	65
South Western - -	92	77	84	86	107
Midland - - - -	81	61	70	64	85
Brighton - - - -	109	97	107	94	107
South Eastern - - -	84	60	60	58	66
York & Nor. Midlnd. -	60	47	52	45	60

The depression of prices at the early part of 1854, arose, in a great measure, from the apprehensions entertained of the probable effects of the War then just breaking out; and it also arose from the effects of the high rate of interest.

The very serious fall, in 1855, of the stock of the Great Western Railway, was occasioned by a material reduction in the rate of dividend, consequent on the large additions made to the dividend-bearing capital in consequence of expenditure incurred on branch lines not immediately productive. And in other cases, as, for example, in the Brighton and South Western, the improvement in price in 1856 arose principally from a steady increase in the traffic returns of the Lines.

SECTION 6.

The Origin, and Failure of the Scotch "Exchange "Banks," 1845–50.

We may now recur to the instructive and somewhat singular history of the Exchange Banks, commenced in 1845, and the whole of which had failed before the end of 1850.

The universality of the speculation in Railway Shares in 1845 created, as a matter of course, a large class of borrowers, who offered as security the shares and scrip of Railway Companies in which they were interested. These loans were generally required for periods somewhat indefinite; and in most cases the proceeds of the loan were intended to facilitate further railway speculations. The ordinary Banks had not the means, and greatly to their credit not the inclination, to encourage advances of this nature. It might be true that, at the time when the advance was made, the margin reserved on the shares taken in pledge might be considerable; but that margin could not be regarded as solid, nor could the punctual repayment of the advance be reckoned on with certainty. Hence arose the anomaly of a great pressure of borrowers, offering high rates of interest for nominally short periods, and on highly marketable securities, and no class of lenders with adequate inclination and means to meet the demand for accommodation.

Early in 1845, it occurred to Mr. George Kinnear, a gentleman of reputation and character, as a practical banker, that lending money on Railway Shares might become the special business of a special class of Banks to be set up for the purpose;—that these Banks might obtain the necessary amount of funds,

—to a small extent by means of their own paid up capital, but to a large extent by means of Deposits attracted to them by the offer of a high rate of interest;—and that the funds so acquired might be exclusively employed in loans on Railway Shares.

In May, 1845, Mr. Kinnear reduced his scheme to practice by founding, in Glasgow, the "Glasgow "Commercial Exchange Company." This Company became at once eminently successful, and was praised on all hands as a great discovery. The public placed deposits in the Exchange Bank for six months certain, with three months' notice of withdrawal, in consideration of 5½ per cent. per annum, —that is, of a rate twice as high as the deposit rates allowed by the ordinary Banks. These deposits were, according to the theory of the institution, to be employed in lending money on shares yielding an ample margin for depreciation.

But a single Exchange Bank was quite insufficient for Glasgow in 1845; and in a short time eight of these undertakings were set on foot, and were full of business. Similar Banks rose at Edinburgh, Aberdeen, and Dundee. Unexceptionable names appeared on the Directorates, good dividends were paid, the shares bore a high premium; and for a period Exchange Banks seemed to stand above the reach of danger.

But after 1845 and 1846 came the disasters of 1847.

The choicest Railway Securities fell 70 or 80 per cent. The pressure of calls produced a pressure of sellers; and margins of 20 and 30 per cent. disappeared in a single turn of the market. In addition to all this, the Exchange Banks discovered, to their cost, that the very precaution upon which they had prided themselves, as completing the fulness of their command over the security pledged, namely, transferring the shares from the name of the borrower into their own, was a source

of absolute ruin. For, as legal owners of shares subject to calls, the Exchange Banks found themselves stripped, not merely of their securities,—but they also found themselves compelled to pay, as Calls, sums frequently exceeding the original advance. As for the personal security of the Debtor, it was generally accounted for in the Insolvent Court.

In the early part of 1849, nearly all the Exchange Banks were in serious difficulties. Before the end of 1850, they had all been swept away.

It then appeared that, not content with lending on Railway Shares, most of the Banks had been dealers and jobbers; that in several cases Directors, and other leading persons in the management, had received undue facilities for speculation; and that generally failure had arisen from rash management, as well as from external difficulties. The original Bank, the Glasgow Commercial Exchange Company, were understood to have lost 650,000*l.*, or nearly double the amount of their capital. The deficiency, of course, had to be provided by the shareholders; and, fortunately for the depositors, the shareholders were, in most of the cases, found to be in a condition to pay the deposits in full.

SECTION 7.

The Effects of the large Railway Outlay of 1846–50 *upon the Expenditure of the Middle Classes.*

But we have not yet placed before us the full complexity and interest of the problem presented by the Expenditure of 150 Millions on Railways, within the United Kingdom, during the Five Years, 1846, '47, '48, '49, and '50.

Leaving out of view the deficient harvest and po-

tato rot of 1846, which principally occasioned the export of gold from this country in 1847, we know that it was the fact, that the expenditure of these 150 Millions, on works which yielded no exportable product, proceeded, not only without deranging our external trade by occasioning an excess of imports over exports, — but was attended by the contrary result, of a material addition to the stock of Bullion in the Bank of England.

We have already seen, in commenting on Table (C.), page 356. *antè*, that, during the two years 1847 and '48, not less than One Million persons were dependent on Wages provided by the Railway Expenditure; and on the average of the five years, 1846 to 1850, both inclusive, it is not permissible to state the number of persons dependent on such wages at less than 600,000; — that is to say, the population supported by the Railway Works was nearly, if not quite, as large, on the average of the five years, as the total population employed in the whole of the Factories of the United Kingdom.

Now, so far as these 600,000 Persons consumed foreign commodities—and so far as foreign materials were used in the various processes of the Railway Construction; — it is plain that the volume of Imports into the country was increased, and that no Exportable product was provided by the persons or the undertakings to whom the Imports in question found their way. Still the actual facts were the precise opposite of the state of things which might have been expected (and, at the time, was really expected), from an *à priori* view of the case: — for there was an influx of bullion; a steady foreign trade; and a low and even rate of interest.*

I believe the real explanation to be: — That the 150 Millions of Railway Capital were provided, to a considerable extent, by retrenchments of expen-

* The date of the Californian Discoveries does not permit us to seek in them an explanation.

diture, on the part of the Middle and Wealthier classes, who were the holders of railway shares.

The Railway Calls acted in the same manner as an extra per-centage added to the Income Tax; and the whole, or very nearly the whole, of the extra burden was met, either by efforts of economy, or by increased exertions on the part of individuals to augment their profits and resources during the continuance of the pressure.

The general result, therefore, was (1), that during the five heaviest years of Railway Expenditure, a considerable body of the working classes were employed by means of funds furnished by the Retrenchments, or increased exertions, of the holders of railway property; (2), that these retrenchments of expenditure, on the one hand, more than counterbalanced the effects of so large a distribution of extra wages on the other; and (3), that to a very considerable extent, the distribution of these extra wages mitigated the disastrous effects, on the working classes, of the commercial and political convulsions of 1847, '48, and '49. In other words, the Railway Calls of those years threw the pressure of the crisis on the Middle and Wealthier classes; and those classes, finding themselves hemmed in by formidable responsibilities, resorted to new methods of economy, or put forth greater efforts.

When we remember that the five years during which this great Railway Expenditure was in progress, were also the five years marked by the greatest depression experienced by the Agricultural classes, in consequence of the departure from the old code of Protection;—that it was the five years marked by the occurrence of severe commercial distress;—by extreme Scarcity in Great Britain, and by positive famine in Ireland;—and also marked by the disorganisation, from political causes, of the whole of the European Trade;—I am inclined to believe that the comparative ease with which this country passed

through a period full of so many serious dangers, is to be regarded as one of the strongest proofs that can be found of the depth and elasticity of its resources.

It would be difficult to adduce any large extent of satisfactory statistical evidence of the effects of retrenchment made by the middle classes; but some indications are afforded by the return of the Assessed Taxes.

We find, for example, that the number of persons Assessed for duty on one Male Servant was 49,000, in the year 1844; and 49,100 in 1846; and it fell progressively, until the number was 47,700 in 1851. In like manner, the number of Licences to Kill Game fell from 35,200, in 1846, to as small a number as 30,200, in 1851. The quantity of Wine entered for Home Consumption was 6,700,000 gallons, in 1846; but fell to 6,200,000 gallons, as the average of the four years 1847–50. And these diminutions took place, notwithstanding the increase of population. The rates of assessed tax and import duty remained without change. There was a pause, and to some extent a diminution, in the amount of property insured against fire.

It is probable, also, that in some degree the large retrenchments of the expenditure of the middle classes contributed to the low range of general prices which prevailed during the latter years of the Railway Expenditure.

The Commercial Circulars of these years referred almost constantly to the effect of the Railway Difficulties as an influence operating prejudicially on the markets.

SECTION 8.

Consequences arising from the Operation of the frequent "Calls" on Railway Shares.

There was a very important difference between the responsibilities arising out of the speculations in Railways, and former speculations in foreign Loans, in joint-stock Companies, or in Banks.

In 1835 and 1836, nearly the whole catastrophe was comprised in the first great collapse. Shares bought at 50*l.* fell to 5*l.*, and remained there; and the whole of the fall was so much lost to the holder. But, severe as that loss might be, it was the whole calamity that could befall him. Not so with the Railway Subscriptions of 1845. Those subscriptions entailed the obligation of meeting a long series of Calls, extending over three or four years; and, in truth, the cases were but few in which the necessity of meeting the calls was not a far greater misfortune than the depreciation on the first price. The differences also, as regards the trade and resources of the country, of 250 Millions sterling, expended *bonâ fide* in wages and materials for public works; and the collapse of a mere stock-jobbing paper bubble, are obvious.

When we look a little closely into the facts, we cease to wonder that, during 1844 and '45, nearly every person engaged in Railway Speculation grew richer and richer; and that, during 1847–50, every person holding Railway Shares grew poorer and poorer. We have, for example, the following facts:—

In December, 1845, the official list of the London Stock Exchange quoted no less than 280 different kinds of Railway Shares; in December, 1849, the number had fallen to 160.

By the application of data to be relied on, but which need not be described in detail here, the following results are arrived at:—

COMPARATIVE STATEMENT of the MARKET VALUE OF RAILWAY SHARES, in Dec. '45 and Dec. '49.

Date.	Description.	Paid up. Mlns. £	Worth at Market Prices. Mlns. £
(I.) 1845. *Dec.*	Capital paid up on Lines open and constructing	80	120
	Deposits paid up on New Lines . . .	20	40
		100	160
	Gain on Market Value, 60 millions.		
(II.) 1849. *Dec.*	Capital paid up on Lines open and constructing	230	110
	Loss at Market Value, 120 millions:		
	Equal to Loss on Market Value compared with Dec. '45,—180 Millions.		

The inferences from these figures are not difficult to understand.

In 1845 the nation was intoxicated with 60 Millions of seeming wealth, bearing for the time every appearance of solidity; and possessing the seductive attribute of having cost no expenditure of materials and labour. In 1849, after 230 Millions had been spent in the most literal modes, in obtaining materials and labour, the market value of the undertakings was equal to less than fifty per cent. of their cost. At the former date, for every pound of deposit lodged for a new line, the adventurer could obtain two: at the latter, for every pound paid down for a line in progress, the contributor could not obtain so much as ten shillings.

We scarcely need further evidence of the strong incentives to extravagance at the one period, and of the powerful reasons for retrenchment and exertion at the other.

SECTION 9.

Questions relative to the Effect of Railway Transit on the Price to the Consumer of Raw Produce and Manufactured Goods.

It can, however, admit of no question, that the result of the severe strain of the five years' Railway Expenditure has been beneficial in the widest and most emphatic sense.

I do not know, indeed, where a more signal instance can be found of the constant and infallible operation of those general laws, which so control and adapt to wise and great ends the instincts of individual selfishness;—that, in spite of gross follies and reckless professions, the ultimate issue of dubious enterprises is far more in the direction of good than of evil. By a sudden plunge after a delusive image of vast riches, to be acquired (it was thought) without labour, the middle classes bound themselves to fulfil, in five years, engagements which prudent men would have extended over twenty. At the price of an untold amount of individual suffering,—of severe personal sacrifices and exertions,—the task, so rashly undertaken, was carried through. But the folly has now been cured, and the penalty paid; and the tangible result is, that we have acquired, in a few years, a more perfect System of Railway Communication than will be possessed by any other country at the end of a generation.

It is because the effects of this perfect system of Railways is felt in every branch of production and consumption, that I am desirous of placing the questions connected with it in clear points of view.

It is a common assumption, that the introduction of Railways has led to considerable savings of Capital, by diminutions effected in the extent of the

stocks of imported produce, required for the consumption of the country. It is pointed out, that a retail grocer in Devonshire or Cumberland, no longer keeps on hand more than a week or two's consumption; — in place of the month or two's consumption, indispensable to his stock when transit was infinitely more tardy, and greatly more expensive. The same reasoning is applied to all, or most, retail dealers in Imported Raw Produce; and the inference is drawn, that the aggregate diminution of stocks, among retail dealers, is in reality a diminution in the stock required for the annual supply of the wants of the country. But this is obviously erroneous.

The expedition of conveyance does no more than enable the Retail dealer to throw the burden of keeping a large stock upon the Original Importer. If the goods are not on the shelves of the shopkeeper, they are in the warehouses of the Dock; and the volume of the yearly requirements remains the same. It is to be admitted, of course, that the rapidity of conveyance, even as regards imported raw produce, has introduced many incidental economies. For example,— prior to the railways, it is probable that at least ten days' consumption was always *in transitu* from the ports of entry to the places of consumption. Those ten days have been lessened by two thirds. Further; a smaller amount of capital enables a retail dealer to transact his former amount of business; because his risks, in keeping a large supply of goods on hand, are greatly diminished; and also because errors of calculation, and variations of demand, are more easily provided for.

The same general reasoning applies to those descriptions of Imported Raw Produce — cotton, indigo, wool, and silk, for instance — the consumption of which takes place in Manufactures.

It is plain that the aggregate quantity of cotton consumed in a year, is not really lessened by the re-

duction to a single hour of the journey from Liverpool to Manchester. That which really does happen is, that time and expenses are saved by keeping, in the original warehouses at Liverpool, the bales of cotton which formerly were conveyed to, and re-warehoused in, Manchester. No one disputes the importance of these incidental advantages; but they are not to be confounded with absolute diminution of the bulk of the commodity consumed.

As regards Manufactured Goods, it is, perhaps, certain that the railways have led to considerable saving in the quantity produced within the year, for the wants of that year.

Again, assuming that the supply of manufactured goods *in transitu* was generally equal to ten days' consumption, and that those ten days have fallen to little more than three, the aggregate saving on *manufactured* commodities would be large. Nor, as regards such commodities, is it necessary, as in the case of imported raw produce, that the whole quantity required for a given period of consumption, should be in the hands, *either* of the wholesalers or the retailers.

The raw produce arrives at dates dependent on the seasons prevailing in the countries of its production; and those arrivals do not admit of sudden stoppages or acceleration. But the manufactured goods are made in pursuance of a current demand; and the more rapid and perfect the means of conveying to the manufacturer the desires of the consumer, the less will be the quantity of stock he will find it necessary to have beforehand. And it is obvious, that by means of railways and telegraphs, the expenses and risks of all trades concerned in the production and sale of manufactured articles, have been greatly diminished; and the diminution of these risks and expenses must have the effect, so far as they go, of a fall in the cost of production.

SECTION 10.

The Effect of Railways, in this and other Countries, in opening up New Fields of Supply.

But the advantages conferred by Railways in the distribution of imported raw Produce, and manufactured Goods, are the smallest part of the benefits flowing from them.

Among their greatest achievements are the opening up of new fields of Supply, and the deepening of old channels of Consumption. They have brought into profitable use mines, forests, quarries, arable and grazing districts, fisheries, harbours, and rivers previously inaccessible. The produce arising from these various and numerous sources is so much additional wealth placed at the command of the community.

But still greater even than these achievements, are the advantages arising from the cheap and rapid conveyance of Passengers over long distances. Every enterprise is now carried on with, perhaps, ten times as much despatch, and with ten times less trouble, than forty years ago. And the facility of personal superintendence is certainly twenty times greater than it was then.

It is not difficult, therefore, to comprehend, that to accelerate, even by a few years, the completion in a country of an extensive system of railways, is to confer upon it advantages, the real value of which it is impossible to represent in terms of money; and we shall find, in the considerations connected with this mode of viewing the facts, a correction of many prevalent errors relative to the cost of English Railways.

Let us see what was the comparative progress which, at the end of 1854, had been made by the countries of Central and Western Europe, and by the United States, in providing themselves with Railways: —

(G.) RAILWAYS. — *GENERAL SUMMARY of the COMPARATIVE EXTENT of RAILWAY OPEN at the Close of* 1854 *in different Countries.*

Country.	Area in Eng. Sq. Miles. No.	Miles of Railway Open in 1854. No. Miles.	Miles of Rail Open to each 100 Sq. Miles of Area.
England & Wales	57,800	6100	15·2
Scotland	30,240	1040	3·5
Ireland	31,870	900	2·8
	119,910	8040	6·7
France	205,000	2910	1·4
Germany	268,000	5400	2·0
Belgium	11,000	530	4·8
	484,000	8840	1·8
Massachusetts	7,800	1300	16·6
New York	47,000	2700	5·8
Pennsylvania	46,000	2000	4·3
	100,800	6000	5·4
Ohio	40,000	3000	7·7
Indiana	33,800	1500	4·4
Illinois	55,400	2800	5·0
	129,200	7300	5·6
Twenty two other States of the Union	1,351,000	8200	0·6
Totals	2,184,000	32,380	1·5

It appears by these figures, that the only country or State possessing a greater extent of railway (compared with territorial area) than England and Wales, was the State of Massachusetts ; but the area of Massachusetts is only an eighth part the area of England and Wales.

In France and Germany the progress has been

less than a seventh of our own. Even in Belgium, and New York and Pennsylvania, the progress has been barely a third of ours. In Scotland the progress has been twice as rapid as in Germany; and if fair allowance be made for the lake and mountain surface of Scotland, the progress in it will exceeds the progress of Belgium, and of those western states of the Union where railways are made with a cheapness and facility unknown anywhere else.

But when we speak of the progress of Railways in the United States, we must refer, not merely to the mileage *Open*, but also to the mileage in *Progress*.

The 21,000 miles *open* in 1854—vast no doubt as it was — is merely the commencement of the Railway system on the North American Continent; for, as appears by the next Table, the mileage in course of construction in the same year, 1854, was no less than 16,740 miles.

(H.) UNITED STATES.—*RAILWAYS IN OPERATION and COURSE OF CONSTRUCTION in* 1854.

State.	Eng. Miles Open and in Work.	Total Cost of Construction.	Average Cost per Mile.	Miles in Course of Construction in 1854.
	No.	£	£	No.
Massachusetts .	1300	12,000,000	9200	40
New York . .	2700	22,200,000	8300	800
Pennsylvania .	2000	17,200,000	8600	1400
	6000	51,400,000	8500	2240
Ohio . . .	3000	13,600,000	4500	1600
Indiana . .	1500	6,000,000	4000	2600
Illinois . .	2800	11,600,000	4100	1500
	13,300	82,600,000	6200	7940
Twenty-two other States . .	8200	41,000,000	5000	8800
	21,500	123,600,000	6000	16,740

NOTE.—The materials of this Table are obtained from a statement in great detail given in "Hunt's Merchants' (New York) Magazine" for 1855, page 131.

It is not easy to form any adequate conception of the effects to be produced on the supply of, and the demand for commodities, when the (say) 40,000 miles of Railway indicated by the preceding table shall be fully at work in the United States.*

SECTION 11.

Cost of British Railways compared with the Cost of Foreign Railways.—Connection between Cost and Tolls.

By means of the next statement (I.) we shall bring under view a summary of most of the important facts relating to the extent of Railways in various countries:—

* The Commissioner of Public Lands states that the effect of granting lands to aid in the construction of Railroads has already been such, that immense regions have been disposed of that were thought to be wholly unsaleable because of the difficulty of access. For example: Between 5th July, 1852, the date of their being first offered for sale, and 30th Sept. 1854, there had been sold, within the six and fifteen mile limits of the Illinois Central Railroad in Illinois, 773,000 acres, and 1,604,000 acres located; making in all 2,377,000 acres. For these there was received in Cash £1,984,000. (*American Almanac*, 1856, p. 234.) This quantity of 2,377,000 acres, allocated in little more than two years, exceeded the total quantity of Public Land sold in the whole of the Union during any one year on the average of the fourteen years ended with 1854;— but the sales of 1854 itself were 7,000,000 acres, arising in a great measure from the effect of the Railroads.

(I.) RAILWAYS.—*GENERAL STATEMENT of RAILWAYS OPEN, &c., in the Year 1854; with COST OF CONSTRUCTION, and GROSS RECEIPTS per Mile.*

Country.	Eng. Miles Open and in Work.	Cost of Construction: Total. Mlns.	Cost per Mile.	Average Gross Receipts *per Mile per Ann.*	Eng. Miles in Course of Construction.
	No.	£	£	£	No.
Engld. & Wales	6100	238·0	39,000	2910	1300
Scotland . .	1040	32·0	30,000	1960	500
Ireland . .	900	17·0	17,000	1010	500
	8040	286·0	36,000	2600	2300
France . .	2910	60·0	20,000	2900	2000
Germany . .	5400	50·0	10,000	not gvn.	not gvn.
Belgium . .	530	8·5	16,000	„	„
	16,980	404·5			
United States .	21,500	123·6	6,000	„	16,740
	38,480	538·1			

NOTE.—The miles of Railway open in other countries in 1854 are stated to be:—in Russia, 420 miles; in Italy, 170; in Sweden, 70; in Norway, 40; in Spain, 60. In British India 100 miles were open; in Canada, 1300 miles; in Cuba, 360 miles; in South America, 60 miles.—The progress of railways in the United States may be marked by the following statement of the number of miles open at six periods between 1835 and 1855:—

1835,	920 miles open,	1850,	7,350 miles open.
1840,	2,170 „	1853,	13,380 „
1845,	4,510 „	1855,	23,240 „

In France, the mileage open in 1853 was 2706 Eng. miles, and the gross traffic receipts of the year, £6,640,000, or say £2670 per mile per ann. In 1854 the mileage had risen to 2909 Eng. miles, and the gross traffic to £7,850,000, or £2905 per mile per ann.

These figures exhibit, very conclusively, the decided nature of the superiority of this country in Railway Works.

By the end of 1856 we shall have in operation probably not less than 11,000 Miles of line: and at the rate of about 36,000*l.* per mile, we shall have spent, in fifteen years, very nearly 300 Millions sterling. Already (Table A. page 352. *antè*) the annual gross Traffic receipts are 22 Millions, or say 3000*l.* per mile per annum, and will soon exceed the interest of the National Debt.

In France, the mileage open (2910) is only a third of ours; and even when the 2000 miles in progress are complete, the extent of Line will be less than half the extent at work in the United Kingdom. And, in general terms, the same remark applies to Germany.

Beyond the limits of Europe the great theatres of Railway progress are the United States, Canada, India, and Australia. In the three last of those vast countries, the lapse of a few years will suffice to bring into activity an extent of Railway mileage far exceeding the mileage of Continental Europe.

There remains, however, the question of the cost of Construction of the British Lines, as compared with Foreign Lines.

It is generally assumed, that the cost of the British Railways has been so excessive, as to neutralise, in some considerable degree, the benefits arising from their introduction. Let us consider this assumption.

We see that, as a general result, the cost per mile of the English Lines has been (at the rate of 40,000*l.* per mile) *twice* the cost of the French Lines; *four* times the cost of the German Lines; and *eight* times the cost of those of the United States. But it would be altogether erroneous to suppose, that these proportions correctly represent the comparative cost of precisely the same description of public works in the countries enumerated. The truth is, that the higher cost of the English Railways has arisen, in a great measure, from their superior completeness as lines of locomotive transit.

There are, at least, five elements of superiority possessed by the English Lines, when compared as Public Works with those of France and Germany, and still more with those of America; viz.:

(1.) Easier and safer gradients and curves. (2.) Diminished interferences with streets, and common roads, and with rivers and canals. (3.) Superiority

of masonry and earthworks. (4.) More numerous stations and depôts; and those placed in the most central positions. (5.) Locomotive Engines of greater power, and larger provision for carrying goods and passengers.

Now, it is obvious, that a large original outlay, in rendering the Lines as complete as possible in these five particulars, was no more than anticipating expenditure which must soon have occurred for improvements and repairs. The cost at opening, of the foreign and American Lines is small, because an enormous burden for deterioration is thrown upon the future. But it is quite possible that a real economy would consist in following the English plan.

It is certain, however, that the highly perfect state of the English Lines enables us to maintain an average speed so greatly exceeding the speed of the foreign railways, that, on a large traffic, the mere gain of time represents a most important element.

There still remains the question of Fares. It is said, that the excessive cost of the English Lines has entailed upon us, perhaps, a perpetuity of high fares.

It may be granted, that if the Lines had cost twenty, instead of forty thousand pounds, per mile, the fares would have been less than they are; but the cost of a railway is not, by any means, the only element which determines the rate of charge for passengers and goods. The property is one which must be kept in work to preserve it from a total extinction of value; and the tolls to be charged must depend on the peculiar circumstances of the traffic. Tolls which would yield on paper a dividend of five per cent. to the shareholders, may be precisely those which would drive all customers off the line; and tolls which will yield no more than a dividend of one per cent. may therefore be gladly adopted.

Hence, it has happened very generally with the English Railways, that whatever evil results may have arisen, from errors of calculation, or errors of intention, on the part of the promoters, have fallen exclusively on the subscribers to the undertakings. The public have had to be induced to employ the Railways by such temptations and facilities of accommodation and charge, as gave the public a direct interest in doing so; and it has already become a maxim of Railway Management, that increase of dividends is to be sought, not from the comparatively limited class who are under the necessity of using the railways; but from that great body of the population in whom, by means of cheapness and comfort, a demand for the accommodations which railways afford, may be created.

SECTION 12.

Effect of Railways on the Revenue.

I have now only to refer to another topic connected with the subject, namely, the influence of Railways on certain branches of the Revenue.

Prior to the establishment of Railways, the taxes directly levied on public modes of passenger transport were the duties on Stage and Hackney Coaches. To these have now been added a duty of five per cent. on the receipts of Railways for Passenger Traffic. But, as a matter of course, the formidable competition of the Railways rendered necessary a reduction, of more than one half, in the former duties on Stage Carriages.

By means of the following statement, we shall see the general results, at convenient periods, between

the year 1836, which may be regarded as nearly the last of the full vigour of the old Stage Coach system, and the present time.

(J.) *REVENUE (United Kingdom) from DUTIES ON PASSENGERS conveyed by STAGE and HACKNEY CARRIAGES, and by RAILWAYS*, 1836—1852; *and also the* NET *REVENUE from the POST OFFICE.*

I. YEARS 1836, 1845, AND 1848.

Year.	Stage Coaches and Railways.	Hackney Carriages.	Total Coaches, &c.	Post Office Total *Net* Revenue.
	£	£	£	£
1836	514,000	47,000	561,000	1,650,000
'45	408,000	61,000	469,000	760,000
'48	431,000	66,000	497,000	740,000

II. YEARS 1849 to 1854.

Post Office Total *Net* Revenue.	YEARS.	Stage Carriages.	Hackney Carriages.	Railways.	TOTAL.	Total Receipts for Railway Traffic.		
						Passengers.	Goods.	*Total.*
£		£	£	£	£	Mlns. £	Mlns. £	Mlns. £
841,000	1849	176,000	73,000	217,000	466,000	6·2	5·2	11·4
803,000	'50	182,000	79,000	229,000	490,000	6·8	6·3	13·2
1,118,000	'51	202,000	88,000	266,000	556,000	7·9	7·0	15·0
1,090,000	'52	203,000	84,000	260,000	547,000	7·7	7·9	15·7
1,173,000	'53	not gvn.	not gvn.	not gvn.	not gvn.	8·5	9·4	18·0
1,195,000	'54	"	"	"	"	9·1	11·0	20·2

NOTE.—The rate of Duty on Railways is 5 per cent. on the amount of Passenger Traffic Receipts. On Stage Carriages the rate is 1¼*d.* per mile; on Hackney Carriages, 7*s.* per week. There are also Stamp Duties on Licences. These Duties were transferred from the management of the Excise to that of the Stamps and Taxes in September, 1847. In 1853 some reductions were made in the Hackney Carriage Duties; the result being the rates just stated. In 1855 the Stage Carriage Duties were reduced from 2*d.* to 1¼*d.* per mile. Down to 1840 the average duty on Stage Carriages was not much less than 3*d.* per mile.

It appears, by this statement, that, in 1836, the Coach Duties produced 561,000*l.* Fourteen years afterwards, the Revenue yielded by Coaches and Railways combined was 536,000*l.*, or nearly the same as the result of 1836.

So far, therefore, as mere direct payments were concerned, the Revenue suffered materially during these fourteen years, by the breaking up of the old modes of conveyance. The figures do not include a later year than 1852; but at present it is tolerably certain that the revenue, which was 556,000*l.* three years ago, is now more than 600,000*l.*; and, considering the extension of railway mileage, and the increase, with it, of employment for Stage and Hackney Carriages, as adjuncts of the Railway Stations, a few years may be expected to add considerably to the aggregate of the three sources of revenue in question.

Hitherto, however, a duty has been imposed merely on the Passenger Traffic of Railways. But already passenger traffic is surpassed, both in its magnitude and its profits, by the Conveyance of Goods. And there is no tax on the receipts for Goods Traffic on Railways and Canals.

The Net Revenue of the Post Office is still, apparently, 600,000*l.* per annum below the net revenue of 1836; that is, when the old duties were in full force.

But even a net revenue of 1,000,000*l.* per annum could never have been obtained at the penny rate under a system of mail coach conveyance. The almost unlimited capacity of the Railways, for conveying enormous bulk at a high speed, has, in no small degree, ensured the success of the penny system. It is not unreasonable to expect that, by the year 1860, the net revenue of the Post Office will very nearly approach the maximum of 1836; and it is allowable to suppose that, whenever it may be possible to compare the year 1860 with the year 1850,

it will be found, that the lapse of ten years has sufficed to enable the Railways to add to the annual revenue,— in the form of duties of various kinds — a Million Sterling.

That annual million of revenue will have been raised by substituting, for the former high duties on the expenditure of a small class, — low duties on an expenditure, for the same objects, now so diffused over every class as to include even the humblest; and another signal instance will be afforded of the constant tendency of Invention, in this country, to mitigate the pressure of public burdens,—to supply new sources of Strength,— and to contribute to the permanency of every sound institution.

Summary

SECTION 13.

Summary of Results arising out of the Review of the Railway Expenditure, 1846–55.

We may now recapitulate the Conclusions which seem to be established by the facts and statements before us, viz.: —

1. That of the 300 Millions sterling actually expended in Railways, to the close of 1855, in the United Kingdom, fully one half, or 150 Millions sterling, were expended during the Five Years 1846, '47, '48, '49, and '50; and, that of the 8300 Miles of Railway, open and at work at the close of 1855, fully one half, or 4150 miles, were completed, and brought into operation for the first time, during the five years now enumerated.

2. That the consequence of so prodigious an outlay in so small a space of time, has been to place the United Kingdom, but especially England, so far in advance of other countries in the possession of an extensive Railway System, that, adopting the fair test of comparing territorial area with railway mileage, England has a comparative mileage three times greater than Belgium, New York, and Pennsylvania; and seven times greater than France and Germany.

3. That the introduction on the largest scale into this country, and in degrees more limited into other countries, of a change so extensive, absolute, and fundamental in the means of Transit, has already led, and in a short time will lead still fur-

ther, to important modifications in the conditions affecting the Supply of, and Demand for, large classes of Commodities;—these modifications tending generally to reductions of price, as a consequence of diminished cost of production or reduced expenses in conveyance to market.

4. That, as regards the 150 Millions sterling expended in this country in the Five Years 1846–50, its operation was to give employment, during periods,—first, of Dear Food (1846–47), and second, of extreme Commercial Difficulty (1847–48–49),—to a body of Artisans and others, varying from upwards of a million, to half a million persons.

5. That, on the other hand, the Calls, by the process of which the 150 Millions were gradually raised from the Middle and Wealthier classes who were the holders of railway shares, operated like an Income Tax, nearly the whole amount of which was provided by the resort to severe economy, or by additional exertions to procure augmented resources.

6. That the Retrenchments and increased exertions of the contributors of Calls, taken in the aggregate, more than counterbalanced the consumption of the army of Labourers employed in Railway works; and also the expenditure for the purpose of those works, on Imported Materials;—and hence, that, even during the Five Years 1846–50, of an Average Annual Expenditure of 30 Millions sterling, the balance of trade was, as a general result, constantly in our favour.

7. That, during the five years in question, the average annual return yielded by the (say) 200 Millions actually expended in Railway undertak-

ings, was less than Two per cent. per annum;—that, beyond the failure of annual return, there was a depreciation of market price equal to about 50 per cent. below *par* value;—and that, while the ultimate recovery of the country with comparative ease from the effects of so severe a strain, abundantly indicates its resources;—still the depression and losses experienced by so large a portion of the Middle Class during 1846–50, and even later, may be considered to have been, to some extent, a cause of the dulness of trade, and the low range of prices which prevailed during the two or three last years of the period.

8. That, on the other hand, the cessation, after 1850, of an annual heavy demand for Calls;—the rapid increase of dividends on the capital previously expended;—the still more rapid advance of the market price of railway stock;—and, more powerful still, the effect upon Production and Consumption of several thousand miles of railway communication;—may be regarded as explaining in some important degree the comparative prosperity and ease which have prevailed since 1851.

9. That, finally:—while it is quite true that the Railway Excitement of 1844–5 was in many respects irrational and disgraceful, and in numerous individual cases the source of crime and ruin; still it enabled this country to pass almost at one step, and by a single sharp and effectual effort of self-denial on the part of the Middle Classes, into the possession of the most complete system of railways possessed by any country;—that, while these Railways have cost more to their projectors than would have been expended by less precipitate adventu-

rers, there is no sufficient reason to believe that the inordinate cost falls as a perpetual burden upon the frequenters of the Lines,— in other words, that the cost of the Line, and the rates of Toll which can alone attract customers, have no necessary or close dependence on each other. And hence, that, eccentric and exceptional as may have been, in many cases, the efforts of Private Enterprise as displayed in the formation of Railways in this country, no denial can be given to the broad and beneficial result:—That to private enterprise we are indebted for being a generation in advance of the rest of Europe as regards the new means of internal Transit.

N.

PART IV.

ON THE PROGRESSIVE APPLICATION OF THE PRINCIPLES OF FREE TRADE TO THE COMMERCIAL LEGISLATION OF THIS COUNTRY, FROM THE YEAR 1820 TO THE PRESENT TIME.—ON ITS EFFECTS ON GENERAL PRICES.—AND ON THE PROGRESS OF FREE TRADE IN FOREIGN COUNTRIES, ESPECIALLY IN FRANCE.

SECTION 1.

On the General Results of the Free Trade Legislation.

AMONG the causes which, during the last Ten Years, have exercised an influence the most powerful in degree, and the widest in diffusion, over the Production and Consumption of Commodities, and, therefore, over the general range of Prices, when considered from a comprehensive point of view, has been the adoption of a Free Trade Policy,—in this country, entirely and without reserve,—and in numerous other countries, either partially as a measure of principle, or partially as a measure dictated by mixed motives of political and commercial expediency.

The breaking down of the old barriers to the free exercise of the skill and industry of the Modern States, is equal, in its economical effects, to the discovery of a new and beneficent agent in nature,—to the opening up of a fresh continent,—or the access to a new South Sea.

The effects produced by Free Trade on the ge-

neral range of the Prices of nearly all Commodities in this country have extended much farther than the cheapening of cost to the Consumer by the mere amount of the Customs or Excise Duty abated or repealed. The Consumer has not only had the full benefit of the reduced or abandoned duty, but he has had, year by year, in an accelerating ratio, the greater benefit arising from the operation, on the largest scale, of the new and powerful influence on Production, of certainty on the part of Producers that no intricate, obsolete, oppressive, or fluctuating fiscal policy, stood between them and the great body of customers upon whom they relied for a remunerative market.

Whether, therefore, for the purpose of tracing justly the economical changes of the period to which these Volumes refer; or whether for the purpose of drawing attention to causes which, during the next ten years, will become prominent subjects of interest and investigation; I am equally bound to endeavour to present some fitting statement of the march and influence, up to the present time, of this new commercial element of Free Trade.

I will begin by showing what have been the actual results in this country, as measured by the definite test of the Customs Revenue, of the application, from time to time, during the last forty years, of Principles of Free Trade.

In the following Statement, then, will be found a detail, year by year, from 1815 to 1855, of the amount of Customs Duties, Repealed or Imposed; —and of the Total Customs Revenue of the year. And it is hardly necessary to invite attention to that column of the figures which, especially after 1840, shows how little the revenue was impoverished by annual reductions to be expressed only in millions sterling: —

CUSTOMS (UNITED KINGDOM), 1815–1855. — *GROSS REVENUE (after deduction of Drawbacks) of each YEAR; with STATEMENTS of the CUSTOMS DUTIES REPEALED, REDUCED, or EXPIRED, and IMPOSED or AUGMENTED, in each YEAR.*

YEARS.	Customs (Gross) Revenue.	Estimated Annual Produce of Customs Duties — Repealed, Reduced, or Expired.	Estimated Annual Produce of Customs Duties — Imposed or Augmented.	YEARS.	Customs (Gross) Revenue.	Estimated Annual Produce of Customs Duties — Repealed, Reduced, or Expired.	Estimated Annual Produce of Customs Duties — Imposed or Augmented.
	£	£	£		£	£	£
1815	23,488,	223,	424,	1836	23,046,	143,	1,
				'37	22,063,	–	–
1816	19,845,	53,	90,	'38	22,365,	–	–
'17	22,111,	1,	7,	'39	23,184,	5,	–
'18	22,369,	–	–	'40	23,342,	–	1,060,
'19	21,952,	472,	1,260,			148,	1,061,
'20	22,104,	–	5,				
		749,	1,786,	1841	23,515,	27,	–
				'42	22,523,	1,499,	161,
1821	22,572,	20,	–	'43	22,647,	171,	–
'22	23,500,	153,	–	'44	24,107,	286,	–
'23	24,841,	211,	–	'45	21,706,	3,603,	–
'24	24,711,	1,418,	46,			5,586,	161,
'25	24,660,	2,768,	–				
		4,570,	46,	1846	22,278,	735,	2,
				'47	21,656,	345,	–
1826	22,855,	773,	189,	'48	22,594,	586,	–
'27	23,202,	2,	21,	'49	22,269,	389,	–
'28	22,866,	36,	2,	'50	22,020,	334,	–
'29	22,620,	126,	–			2,389,	2,
'30	22,914,	575,	85,				
		1,512,	297,	1851	22,197,	801,	–
				'52	21,791,	96,	–
1831	21,612,	1,066,	626,	'53	22,152,	1,500,	16,
'32	21,978,	248,	23,	'54	22,017,	983,	440,
'33	21,253,	347,	–,	'55	22,227,	–	2,226,
'34	21,564,	306,	17,			3,280,	2,682,
'35	22,146,	33,	–				
		2,000,	666,				

NOTE.—The 000's at Unit end are omitted; thus (1817), 22,111 is 22,111,000*l.*; and 1 is 1000*l.*

We shall obtain a clearer view of the Commercial Reforms of these Forty Years if we collect into a Summary the facts thus presented in detail.

We will take, therefore, the periods of Five Years — periods sufficiently long to correct extreme annual disturbance, — and ascertain what have been the effects of the radical change wrought between 1815 and 1855.

CUSTOMS (UNITED KINGDOM), 1815–1855. — *SUMMARY of the Results arising from REMISSIONS and REDUCTIONS of DUTIES.*

Periods.	CUSTOMS DUTIES:—		Customs Revenue at end of Periods:—	
	Reduced. £	*Imposed.* £	Less. £	*More.* £
1815–20	749,000	1,786,000	1,384,000	—
1821–25	4,570,000	46,000	—	2,556,000
1826–30	1,512,000	297,000	1,746,000	—
1831–35	2,000,000	666,000	768,000	—
1836–40	148,000	1,061,000	—	196,000
	8,979,000	3,856,000	146,000	—
1841–45	5,586,000	161,000	1,636,000	—
1846–50	2,389,000	2,000	—	314,000
1851–53	2,397,000	16,000	—	132,000
	19,351,000	4,035,000	1,190,000	—
1854–55	983,000	2,666,000	—	75,000
	20,334,000	6,701,000	1,261,000	—

NOTE.—The materials of this and the preceding statement have been chiefly drawn from a series of elaborate papers obtained by Sir William Clay, viz. Parl. Pr. 361/45, 714/48, and 406/52.

The leading divisions in this summary represent the periods 1821–25, and 1841–45.

In the first period, a reduction of Customs Duties, yielding annually 4½ Millions, did not reduce the total Customs Revenue more than 1¾ Millions. And, drawing a line at the year 1840, we see, that

after 5 Millions of annual revenue had been relinquished, the Total Receipt of 1840 was only 146,000*l.* less than the Total Receipt of 1815.

But these were small results compared with the success which attended the larger reforms of 1841–45.

In those five years 5½ Millions of Customs Duties were given up at the expense of a reduction of 1½ Millions in the receipt; and prolonging the view to the year before the Russian War (1853), we have before us the fact—surely the marvellous fact—of an abandonment of 10 Millions of Customs Duties, with a diminution of little more than 1 Million in the payments to the Exchequer.

Looking at the whole of the Forty Years, we see that 13½ Millions of Duties, or two thirds of the entire Customs Revenue, have been remitted, and that still the produce is within 1¼ Millions of the amount at which it stood before a single remission had taken place.

At present I confine myself to the test of success suggested, rather than furnished, by these figures, from the Revenue Tables.

I ask merely that it may be borne in mind, that to sustain a Customs Revenue unimpaired, and to do so by the substitution of small duties for heavy ones, necessarily implies the operation, on the largest scale, of increased Consumption by the body of the population, and of a rapidly advancing Foreign Trade.

SECTION 2.

On the Doctrine of the Merchants' Petition of 1820, *as regards the non-dependence of the Policy of Commercial Reforms upon the Concession of similar Reforms in Foreign Countries; in other words, on the Principle of Reciprocity. — Testimony in Support of this Doctrine afforded by Mr. Gladstone's Statements of the Result of the Negotiations of* 1841–46.

In an Appendix (I.) I have inserted the Merchants' Petition of 1820; and I have there entered into some particulars connected with the circumstances which led to its composition, and to its presentation in the House of Commons on the 8th May, 1820, by Mr. Alexander Baring.

Towards the close of the Petition there are the following passages, viz.:—

"That nothing would more tend to counteract "the commercial hostility of Foreign States than "the adoption of a more enlightened, and more "conciliatory Policy, on the part of this country.

"That, although as a matter of mere Diplomacy, "it may sometimes answer to hold out the removal "of particular prohibitions or high duties, as de- "pending upon corresponding concessions by other "States in our favour; it does not follow that we "should maintain our restrictions in cases where "the desired concessions on their part cannot be "obtained. Our Restrictions would not be less "prejudicial to our own capital and industry be- "cause other Governments persisted in preserving "unpolitic regulations.

"That, upon the whole, the most Liberal would

"prove to be the most Politic course on such "occasions."

It is probable, that few portions of the Petition have been more frequently called in question, than the paragraphs now quoted.

The doctrine they set forth has been met by arguments and allegations, resting on the supposed reasonableness and necessity of obtaining at least some reciprocal concessions from other countries, in return for concessions made by ourselves; and it has been urged, with apparent plausibility, that no line of commercial policy would be so likely to fail, as that which began by surrendering to foreigners every advantage they could ask, without troubling ourselves to inquire whether a single prohibition or a single duty would be removed or reduced in our favour.

But the doctrine of the Petition was and is the true one, notwithstanding the speciousness of the objections.

In the early part of the present year (1856), when it had become certain that a Conference would be held at Paris, for the negotiation of a Peace, the Manchester Chamber of Commerce addressed a Memorial to the Earl of Clarendon, urging him, in his capacity of Foreign Secretary, and as British Plenipotentiary at Paris, to exert his influence in the promotion, by diplomatic methods, of commercial freedom in Europe.

A similar Memorial was set on foot at Sheffield; and Mr. Hadfield, the member for that place, consulted Mr. Gladstone on the question agitated among his constituents.

Mr. Gladstone replied to the application of Mr. Hadfield in a letter* of considerable length, and not more remarkable for the clear and emphatic

* The letter is dated, 4, Carlton House Terrace, 11th Feb. 1856, and appeared very generally in the newspapers shortly after its date.

testimony borne by it to the Non-diplomatic Doctrine; than for the earnest and candid tone in which it refers to the history of Free Trade in this country.

"I strongly sympathise," wrote Mr. Gladstone, "with the feeling which has prompted the Chamber of Commerce at Manchester to present a Memorial to Lord Clarendon, with a view to his using his influence at the approaching Congress in furtherance of Commercial Freedom in Europe. I am also confident that they will find Lord Clarendon most anxious to give effect to their views. Nor can I desire in any manner to discourage your constituents at Sheffield from following the example which has been set at Manchester.

"At the same time I feel bound to point out a danger, the existence of which I too well know from experience.

"Between 1841 and 1845 I held office in the Board of Trade; and this was the period during which England was most actively engaged in the endeavour to negotiate, with the principal states of the civilized world, Treaties for the reciprocal reduction of duties upon Imports. The task was plied on our side with sufficient zeal; *but in every case we failed. I am sorry to add my opinion, that we did more than fail.* The whole operation seemed to place us in a false position. Its tendency was to lead countries to regard with jealousy and suspicion, as boons to foreigners, alterations in their laws, which, though doubtless of advantage to foreigners, would have been of far greater advantage to their own inhabitants.

"*England, finding that she could make no progress in this direction, took her own course;* struck rapid and decisive blows at the system of Protection; and reduced, as far as the exigencies of the public service would permit, the very high duties which, in many cases, she maintained simply for the purpose of revenue, upon articles that had no domestic produce to compete with. *While our reasonings had done nothing, or less than nothing, our example effected something at least,* if less than we could have desired; and Commercial Freedom has made some progress in other countries since the year 1846; whereas shortly before that time, even while we were relaxing our Tariff, it had actually lost ground.

"When we endeavoured to make Treaties we were constantly obstructed by the idea prevailing abroad, that the reduction of Tariffs would redound to our advantage only, and would be detrimental to other countries. Politicians and speculatists continued to propagate this idea. It was certainly shaken when the world saw us expose our own Protected Interests to competition without making a condition of corresponding relaxations elsewhere; but I am fearful lest it

should again make head, if we too actively employ political influence in urging the adoption of measures for the relaxation of Foreign Tariffs."

There is a further passage of Mr. Gladstone's letter worthy of being preserved, as the testimony of one so well entitled to speak as an authority.

It is a passage in which he speaks of the penalty paid by this country for its long struggle against the adoption of a sound commercial policy, and of the net-work of hinderances which a false system, and its consequences, had woven around us.

I have already described the application of Free Trade to the Modern States as equivalent to the discovery of new power in nature, or to the opening up of a new continent; and I may fairly refer to the following passage from Mr. Gladstone's letter, as a proof that the illustrations employed are not mere rhetorical terms:—

"There is one domestic feature," says Mr. Gladstone, "which I wish it were in our power effectually to exhibit to the Governments and inhabitants of foreign countries.

"They know by statistics, which are open to the world, the immense extension which our commerce has attained under and by virtue of Freedom of Trade, and the great advancement that has happily been achieved in the condition of the people. But they do not know what it has cost us to achieve this beneficial, nay, this blessed change,—what time, what struggles, what interruptions to the general work of legislation, what animosities and divisions among the great classes which make up the nation, what shocks to our established modes of conducting the Government of the country; what fears and risks, at some periods, of public convulsion.

"These were the Fine and Penalty we paid for long adherence to folly. We paid this fine and penalty upon returning to the path of wisdom, which we then too late wished that we had never left. It is not easy to calculate its amount; but if it could be exactly reckoned, and fully exposed to the eyes of other nations, our juniors in trade, it might supply them with a timely warning against imitating our former errors, and with the best encouragement to the adoption (before they themselves become entangled in the creation of artificial interests) of our recent and better example."

The struggles and interruptions, the animosities

and divisions, to which Mr. Gladstone alludes, are, in this country, happily at an end. I am convinced that, in no degree does he exaggerate the perils and the mischiefs to which the Old Anti-Commercial policy exposed our institutions; nor the privations and hinderances which it inflicted upon the labouring population. But this huge incubus is now removed; and we already see some of the vast effects which will flow from the skill and energy of the country, when fairly left to follow their own course.

At this juncture, therefore, it will scarcely be out of place to enter so far into the history of the Free Trade Reform in this country, as to preserve an outline of its principal events. And when that task has been accomplished, we may, with perhaps greater advantage, trace the progress of the same principles of commercial reform in other States.

I pass, therefore, in the first instance, to a statement of those discussions and events, in 1820, which laid a broad and solid foundation for subsequent progress; and of the occurrences of the period of 1820, as being least familiar, I shall speak at greater length.

SECTION 3.

The State of the Question of Free Trade in the House of Commons in 1820.

The Merchants' Petition was presented in the House of Commons by Mr. Alexander Baring (afterwards the first Lord Ashburton), on the 8th May, 1820.

At that time the system of prohibition, protection, and fiscal confusion was at its height. It

was said, by competent authorities, that the number of acts of parliament relating to the entry, export, and custody of goods, as matters of Custom House supervision, was not less than fifteen hundred. All the special interests were in full possession of the vested rights to which they laid claim. There was the Corn Law of 1815,—there were the differential duties in favour of the West India Proprietors,—the monopoly of the East India Company,—the rigorous application of the Navigation Laws* against competition in freights. There were heavy duties on Raw Materials of industry; and prohibitory or extravagant duties on Foreign Manufactures.

But light had broken in even upon so dense a darkness. For two or three years the country had been in great distress. Complaints were almost universal; and, while there was then, as there is now, a large and noisy party, who traced every evil to the currency, there were others who sought for permanent relief only in large abandonments of the huge monopolies, which created unnatural dearness, and held back the nation in its attempts at progress.

These statements will receive illustration from passages in Mr. Baring's speech on introducing the Petition.

"The commercial evils," he said, "under which we laboured, had been attributed to the transition from War to Peace; but it ought to be considered that we had been five years in a state of Peace, and that we were now not only without any beneficial alteration, but rather in a condition of aggravated distress.

"While all other parts of Europe were recovering from the general suffering, Great Britain was the only country in which every branch of industry remained, not only depressed, but

* In one or two of the pamphlets published by Dean Tucker about the time of the American War, there are most remarkable and forcible passages condemnatory of the whole system of protected interests; and especially condemnatory of the Navigation Laws.

much more depressed than it had hitherto been. He confessed that, when he contemplated our situation, he was sorry to say that he discerned strong indications that we must still be considered a declining country. The Agriculturists complained of the distress which they experienced. The Manufacturers and the Merchants united in similar declarations of pressure. With respect to Commerce especially, he was persuaded that, during the last two years, it had not been in the slightest degree productive to those who were engaged in it: nay, he feared, on the contrary, that they had sustained much loss. He entertained the same apprehension with respect to Manufacturers. * * What the petitioners wished, was to draw the serious attention of the House to the subject, and to the expediency of some legislative interposition. * * The first doctrine which the petitioners wished to combat was, that fallacious one, which had of late years arisen, that the country ought to subsist on its own produce: that it was wise, on the part of every country, to raise within itself the produce requisite for its consumption."

Mr. Baring then proceeded to point out the Customs Duties which he held to be highly impolitic: among these, he noticed those upon Wool and Timber, and especially the latter; and he objected to all Prohibitions.

"He did not wish," he said "to make any general sweeping assertions; but he must observe, that honourable gentlemen, in agreeing to cite the Navigation Laws as affording protection to commerce, were much mistaken. Their tendency was to injure commerce. For instance, Coals, so necessary to our Manufactures, might, but for the Navigation Laws, be brought to our ports at half their present price by Dutch or German Vessels. The principle of the Navigation Laws was, that no produce should be imported into this country, except in our own vessels, or in the vessels of that country to which the produce belonged. He thought that no restriction ought to be held on foreign ships importing into this country. When this restriction was imposed, he was sure that those who framed it did not clearly see the advantage of a free intercourse between this and other nations."

Mr. Baring concluded by saying, that he was sure the House would feel with him, that the circumstances of the times were such as to call for the minutest inquiry, on their parts, into every possible means of improving our trade and commerce.

It is clear, from these extracts, that Mr. Baring

had but little, if anything whatever, to learn of the real merits of Free Trade. But, as a practical measure, he felt that the interests opposed to any change were so absolutely dominant, that beyond a few small alterations nothing could be attempted.

It must be distinctly said, for the credit of Lord Liverpool, and the majority of the Cabinet, that they were in the precise situation of Mr. Baring. They admitted fully the doctrines set forth in the Petition; but they were held back by the formidable array of the Monopolist Opposition.

In following Mr. Baring, Mr. Robinson (now Lord Ripon) said that he had always given it as his opinion, that the Restrictive System of commerce in this country was founded in error, and calculated to defeat the object for which it was adopted. At the same time, he felt that that system was so deeply rooted, that it was difficult to induce any member of parliament to oppose it.

Mr. Ricardo, Mr. Grenfell, Lord Milton (now Earl Fitzwilliam), and two or three other members, supported Mr. Baring. But, on the other side, there were very significant hints, from Mr. Ellice and others, that the protected interests would not suffer themselves to be molested with impunity.

There is good reason to suppose that the tenor of the debate, on Mr. Baring's presentation of the Petition, materially strengthened the hands of the Free Trade party in the Cabinet; for a few days after the 8th May (1820), the Government intimated to him its consent to the appointment to a Select Committee of the Commons on the subject of Foreign Trade.

SECTION 4.

SECTION 4.

The State of the Question of Free Trade in the House of Lords, and in Lord Liverpool's Cabinet, in 1820.

In the meantime, Lord Lansdowne had given notice that, on the 26th May (1820), he would move, in the House of Lords, for a Committee on the same subject; and on that day he brought the whole question before the Upper House, in a speech of considerable merit, and in the fullest sense favourable to Free Trade measures.

Lord Liverpool, in assenting to the appointment of the Committee, expressed himself with more reserve, on the principles of Free Trade, than had been observed by the President of the Board of Trade. But in the course of his speech, which was of considerable length, and somewhat discursive, two or three remarks fell from him which are worth recording.

Adverting to the laws which then existed for the purpose of protecting the Agricultural interest, Lord Liverpool said:

"If we look to the general principle of freedom "of trade, let us, at the same time, look to the "state of our laws as they regard Agricultural Pro- "duce. Let us look to our absolute prohibition of "the importation of a great part of foreign agri- "cultural produce, and our heavy restrictions on "the remainder. Let us look to our Corn Laws; "to our laws respecting the exportation and im- "portation of Wool; in short, to all the laws for "the protection of our own agricultural interest. "Under the operation of these laws, we cannot go "to Foreign Countries on the principle of recipro-

"cal advantage. We will not receive their corn or "their cattle. With the exception of Wine, and "some other articles, we will not take what they "most wish to give us. With what propriety may "not those countries say to us, 'If you talk so big "'of the advantage of free commerce, if you value "'so highly the Doctrines of your Adam Smith, "'show your sincerity and your justice, by the "'establishment of a reciprocal intercourse. Admit "'our agricultural produce, and we will admit your "'manufactures.' Your Lordships know that it "would be impossible to accede to such a propo-"sition. We have risen to our present greatness "under a different system than that of free and "unrestricted trade. *Some suppose that we have "risen in consequence of that system. Others, of "whom I am one, believe that we have risen in spite "of that system.* It is utterly impossible, with our "debt and taxation, even if they were but half "their existing amount, that we can suddenly adopt "the system of free trade."

His Lordship then added an important statement, to the effect that he had supported the Corn Bill of 1815, as being, under the then circumstances of the country, just to the Agricultural interest. But he had, at the same time, delivered it as his opinion, that if the Corn Bill of that year had not *then* passed, no Law of the kind ought to be passed at all.

In an early part of his speech, Lord Liverpool referred to the principles as they had been stated by Lord Lansdowne, and said, "that he could not "doubt their soundness; or doubt the great ad-"vantages which would have accrued to the world "if those principles had been acted upon by every "nation from the earliest period."

In the closing passage of his speech, Lord Liverpool reverted to that particular topic, and concluded his address to the House as follows:—

"I firmly believe, that on all commercial subjects, "the fewer the laws the better. I am sorry to see "so many on our Statute Book; but the evil is not "one of easy remedy. Some of those laws may, "perhaps, be advantageously removed; and others "may be altered and amended; but the undertak- "ing is one that will be attended with difficulty, "and must be conducted with the greatest caution. "In commerce, as in the ordinary relations of life, "knowledge, and the confidence derived from pre- "vious certainty, are the most advantageous guides; "for when evils or inconveniences are ascertained, "they may be met, and, perhaps, successfully com- "bated. Experience proves that property and "trade will adapt themselves, in time, even to mis- "taken and defective laws; but constant fluctuations "in our legislation, on such subjects, can only be "productive of disorder and ruin. If every year "there is to be a change in our commercial laws, "no man, or body of men, can know on what they "are to rely. Under such a course of policy, "neither the merchants of this country, nor those "of foreign nations, will be able to confide in us, "and our distresses, instead of being relieved, will "be multiplied tenfold."

The Committee of the Commons was moved for by Mr. Baring, and appointed on the 5th June (1820); and the question referred to it was stated in the following manner, viz.:—"To consider of "the means of maintaining and improving the "Foreign Trade of the country."

Of this Committee the Right Hon. Thomas (afterwards Lord) Wallace was Chairman; and the other members of which the Committee was composed were,—Mr. Frederick Robinson (now Earl of Ripon), Lord Castlereagh, Mr. Tierney, the Chancellor of the Exchequer (Mr. Vansittart), Mr. Baring, Mr. Lamb, Mr. Thomas Wilson, Mr.

Irving, Mr. Canning, Mr. Finlay, Mr. Wilmot, Mr. (afterwards Sir John) Gladstone, Lord Althorp, Lord Milton (now Earl Fitzwilliam), Sir John Newport, Sir M. W. Ridley, Mr. Keith Douglas, Mr. Huskisson, Mr. Sturges Bourne, Mr. Astell, and Mr. Alexander Robertson: Mr. Marryat was subsequently added.

The Committee continued its sittings through three Sessions of Parliament, and presented four Reports, accompanied by voluminous Minutes of Evidence. The Reports were dated respectively, 18th July, 1820; — 9th March, 1821; — 18th May, 1821; — 23rd July, 1822.

The Report of July, 1820, related generally to the restrictions on the Trade of the country at that time existing; and discussed also, at some length, the inconveniences arising from the Navigation Laws, as then strictly enforced. The Report of March, 1821, related to the Timber Trade.

The Report of May, 1821, recommended certain relaxations as regarded the general Shipping Trade, within the limits of the East India Company's Charter. And the last Report, or that of July, 1822, related to Light, Harbour, and Pilotage Dues.

The Committee of the House of Lords was appointed on the 28th May, 1820, and was directed to inquire "Into the means of extending and se-"curing the Foreign Trade of the country."

Lord Lansdowne acted as Lord President of the Committee.

The Committee met during two Sessions, and presented two Reports, dated respectively, 3rd July, 1820; and 26th June, 1821.

The Report and Evidence presented in July, 1820, related to the "Timber Trade with the North "of Europe, and the North American Colonies."

It will be convenient, and not without interest,

to quote from the First Report (18th July, 1820) of the Commons' Committee, a passage in which the principles and recommendations of the Merchants' Petition are adopted in the fullest manner.

In one of the early pages of that Report, for example, there occurs the following distinct statement of the Free Trade principle:—

"Your Committee are convinced that every Restriction on the freedom of commerce is in itself an evil, to be justified only by some adequate political expediency; and that every facility that can be extended to it is a benefit to the public interest, as leading, amidst the incalculable changes and accidents occurring in the circumstances of nations, and of society, to the certain consequence of laying open new means of exertion to mercantile ingenuity and enterprise, and disclosing to Commerce new sources of eventual advantage, far beyond human foresight distinctly to appreciate."

The Committee, however, felt themselves constrained to neutralise, as far as possible, the alarm excited by passages such as the foregoing, by introducing frequent declarations of the necessity of proceeding with the greatest prudence and circumspection in framing any measure of change.

In reviewing these early proceedings of 1820 and 1821, it will be manifest, I think, that, even at that time, the whole compass of the general argument was accepted and thoroughly understood by a few of the more prominent members of both Houses of Parliament; and especially that Lord Liverpool, and a small majority of his Cabinet, were sincerely desirous to carry forward Free Trade measures with boldness and vigour.

But the opposing force was the power of the Protected Interests in Parliament, and the feebleness of the public opinion in favour of the reform.

Still the two Committees on Foreign Trade performed a great and essential service. They collected such a mass of evidence as had not been obtained before; and they at least set the example of making some breaches in the protective system.

SECTION 5.

The Free Trade Measures and the Commercial Reforms of Mr. Huskisson, 1822–26.

The last thoroughly vicious Budget in this country, so far as Customs Duties are concerned, was that of Mr. Vansittart, in 1819.*

It appears, from the statement at page 393. *ante*, that in 1819 there were 1,260,000*l.* of Customs Duties imposed, and 473,000*l.* repealed! and it also appears that, while in 1818, '17, and '16, the changes in the Customs Duties had been but trifling, there was in 1815 an augmentation of 424,000*l.*, and a reduction of 223,000*l.* It will be seen also, if the account of revenue in the years 1820 to 1823 be examined, that, in point of fact, the large additional rates of 1819 failed to add more than a very small sum to the income of the Exchequer.

Now let us see what was the nature of the changes of 1815 and 1819.

As regards 1815, the reduction of the 223,000*l.* arose from the expiry of the War Duty of 1*d.* per pound on Cotton Wool imported in British ships. But the augmentation of 424,000*l.* arose from the

* Mr. Vansittart became Chancellor of the Exchequer in June, 1812, and held the office till January, 1823. He was created Lord Bexley in March, 1823.

increase by 12 per cent. (viz. 2*s.* 9*d.* to 3*s.* 2*d.* per lb.) of the duty on Tobacco, and of 25 per cent. of the duty on Seeds — the one an article of common consumption, the other a raw material.

In 1819 the 473,000*l.* of reduction was in the duties on Cotton Wool and Cocoa Nuts, and was commendable. But, on the other hand, the 1,260,000*l.* of additions was composed of a further heavy duty on Tobacco; of increased duties on Sheep's Wool; of an addition of 30 per cent. to the duties on Coffee; and of a further Excise Duty on Tea; — one out of the four articles being a prime necessity of a leading manufacture, and the other three being articles of large general consumption. It was also part of the plan of the Budget of 1819 to add 1,834,000*l.* to the Excise Duties, by raising the assessment on Malt made in Great Britain to 1*s.* 2*d.* per bushel; and by adding 1*s.* 7*d.* per gallon to the duties on Spirits.

The death of Lord Londonderry, in August 1822, led to important modifications in the Liverpool Cabinet.

Mr. Canning became at once the Foreign Secretary; and early in 1823 Mr. Vansittart was happily relieved from the Chancellorship of the Exchequer. His successor was Mr. Robinson. Mr. Huskisson succeeded Mr. Robinson as President of the Board of Trade, and joined to that office the Treasurership of the Navy; and became a Cabinet Minister before the close of the year. Mr. Peel had succeeded Lord Sidmouth as Home Secretary in January, 1822.

On accepting the Foreign Office, Mr. Canning retired from the representation of Liverpool; and, in order to retain so important a seat in the hands of Ministers, Mr. Huskisson relinquished his long connection with Chichester, and was returned for Liverpool in the room of Mr. Canning, and without opposition, in February, 1823. Thus modified,

Lord Liverpool's Government remained, with but trifling changes, till his incapacitation, in April, 1827; and it was during these four years that the great and rapid progress was made in applying Free Trade doctrines.

These measures may be regarded as falling under three classes.

In the first series may be placed the numerous Remissions and Reductions of Duties directed to an immediate improvement of the fiscal system; in the second series, the measures framed for the purpose of simplifying and improving the general Commercial Code; and in the third list measures directed to improve the general arrangements of the Colonial and Foreign Trade.

Under the first division, we find in the Budget of 1823 remissions of various Customs Duties to the extent of 216,000*l.*; and in the Excise, 1,406,000*l.* of revenue was relinquished by surrendering 13*s.* per bushel of the oppressive duty on Salt.

In 1824 Customs Duties to the amount of 1,418,000*l.* were given up by reductions on Coals, brought to London; on Raw and Thrown Silk; on Rum; on Sheep's Wool; and on British Goods imported into Ireland.

In 1825 came the largest measure of Tariff reform since the vigorous efforts of Mr. Pitt after the close of the American War.

In 1825 no less than 2,769,000*l.* of Customs Revenue was remitted on Tobacco, Coffee, and Cocoa, Wines, and nearly all descriptions of Raw Materials. In the Excise, 618,000*l.* was surrendered by the repeal of the last 2*s.* per bushel on Salt; and by a reduction of 42*s.* per cwt. on Flint Glass.

In 1826 a further sum of 773,000*l.* was taken from the Tariff, by remissions under the articles of Rum, Spices, Seeds, Furniture Woods, and Silk. In the Excise the reforms were still more sweeping;

and there 1,140,000*l.* was remitted by a reduction of 5*s.* 7*d.* on British Spirits; and by reductions on Cider, Vinegar, Printed Silks, and some other articles.

Let us now turn to the second division.

Among the earliest measures directed to improve the internal Commercial Code, and the internal commercial facilities of the Kingdom, was the act for extending and improving the Warehousing System. It was followed by a series of other acts relating to the Linen Manufacture; to Merchant Vessels' Apprenticeships; to the Registry of Shipping; to the Spitalfields Silk Trade; and other similar subjects.

In 1825 was accomplished the great and difficult task of consolidating into eleven statutes the whole of the enactments relating to the Customs — an achievement which Mr. Huskisson described as quite impossible but for the assistance rendered by Mr. James Deacon Hume. In the same year was passed, after a long struggle, the bill for amending, in several material respects, the law of Merchant and Factor: and in connection with that reform it is right to preserve the name of Mr. Freshfield, who, as standing at that time at the head of the legal profession of the City, rendered assistance not to be obtained in any other quarter. In 1824 the Combination Laws were rendered more just and simple; and in the two following years the subject of Joint Stock Companies was dealt with systematically. This enumeration might be prolonged, if needful, to great length.

Under the third head, namely the simplification of the External Trade, the list would be almost as long.*

* The amendment in the law of Merchant and Factor was an alteration of the most important and beneficial kind. Prior to the reform of 1825, an innocent third party dealing *bonâ fide* with a Factor who represented himself to be duly authorised by his Principal, was held responsible to the Principal, even after a

In 1823 and 1824 the complete and final fusion of Great Britain and Ireland, as members of the same Custom House system, and as subject to the same Custom House Duties, was accomplished; and under the Reciprocity Duties Act numerous commercial treaties were concluded with foreign states — treaties which, however imperfect in themselves, were the first breaches in the former system of international hostility.

The Transit Duties and the system of Bounties and Drawbacks were revised. The East India Trade was opened to private vessels of less than 350 tons. The Colonial Trade, the Navigation Laws, the Laws against the Emigration of Workmen, and against the Export of Machinery, were all largely modified.

The alterations in the protecting duties on Silk Manufactures have become best known, in connection with the reforms of Mr. Huskisson, in consequence of accidental circumstances attending the discussion. But the interference with the Silk Trade was practically among the least difficult enterprises of Mr. Huskisson. It was the perseverance with which a certain party in the House continued to support the complaints and the expressed fears of the Silk Manufacturers which occasioned the undue prominence of this particular topic.

considerable number of years, for the result of any dereliction of duty on the part of the Factor. The amended law of 1825 restored to the innocent third party his actual rights, and left the Principal to pursue his Factor in ordinary course for any damages occasioned by the Factor's default. With Mr. Huskisson, Lord Liverpool was a most decided supporter of this change. Mr. Canning gave but little assistance. Lord Eldon, the Chancellor, was vehemently opposed to the reform; and Lord Abinger (then Sir James Scarlet), and nearly all the Judges, supported the Chancellor. Lord Lyndhurst, then Solicitor-General, became an early convert to the justice of the change, and did much to promote it.

SECTION 6.

The special Case of the Reform of the Silk Duties in 1822–25. — *Ultimate Results as shown in the Manchester Memorial of* 1852, *and the Awards of the Paris Exhibition of* 1856.

Thirty years have now elapsed since the animated debates of 1824, and 1826, on the Silk Trade; and, aided by the results of the Exhibition of 1855, at Paris, we may now fairly consider the results of Mr. Huskisson's measures.

It is, unhappily, true, that Mr. Baring, the member for Taunton, and the presenter of the Merchants' Petition of 1820, was amongst the more prominent objectors to the removal of prohibition and prohibitory duties from the Silk Trade. On the 5th March, 1824, he presented a Petition from the Silk Manufacturers of London, praying for the maintenance of the prohibition against foreign-wrought silk, and insisting that any removal of the prohibition would ruin them. With singular inconsistency Mr. Baring supported this petition.

Two years later (24th February, 1826), Mr. Baring presented a Petition, similar in substance, from the Silk Trade of Taunton, and gave it his support, and was joined in that support by the members for Coventry. Mr. Huskisson's reply was the celebrated speech on the Effects of Free Trade on the Silk Manufacture; — a speech in which, after reading at length the Petition of 1820, he defended, with singular success and ability, the general principles of commercial freedom.

Mr. Huskisson introduced the Petition with the following prefatory observations. He said, —

"I must ask the permission of the House to call its attention to a Petition, presented to the House in the month of May, 1820, a period which, like the present, was one of great difficulty and public distress. The Petition is somewhat long, but I assure the House, that those honourable members who may favour me with their attention will be well rewarded by hearing sound principles laid down, in the clearest language. * * This Petition, Sir, is a document of no ordinary interest. The House will see how decidedly the Petitioners maintain the principles upon which his Majesty's Government have acted; and, when I have done reading it, I am sure they will admit, that those principles are therein expounded in words far more apt and forcible than any which I can command."

After reading the first six paragraphs, Mr. Huskisson said, "I will not trouble the House with "reading the whole of this valuable document (cries "of 'Read, read!'). I will, then, Sir, read the whole, "for it is a most valuable document; and, indeed, so "it was thought at the time, for it is one of a few, if "not the only one, which is given at length in the "published reports of our proceedings."—(*Speeches*, ii. 473.)

Mr. Huskisson stated, in the speech now quoted, that the annual import of Raw Silk into this country in 1823–24, was 2,780,000 lbs. Thirty years later it had risen, under free trade and foreign competition, to 7,535,000 lbs., or to nearly threefold the consumption under protection.

The Silk Manufacturers of London in 1824 solemnly assured the House of Commons (5th March, 1824), "that the French, with the appli- "cation of their chemical knowledge to dyeing, and "with their other advantages, would have such a "start in all the branches of Silk Manufacture, "that there would be no person by whom the "French Silks would not be used."

In 1855 Mr. Winkworth, one of the Jurors at the Paris Exhibition, reports officially as follows to the Board of Trade (2nd February, 1856), on the position occupied by the United Kingdom in the department of Silk Fabrics, as supplying materials for dress:—

"The qualities which constitute the value of silk as an article of Dress, and the criterion by which it is estimated in this respect, may be stated to be fashion, taste, colour, lustre, durability, substance or weight, and cheapness. * * *

"Although the British Silk Manufactures may not vie with those of France in the production of the highest class of goods (*e. g.* fashion and taste), yet as respects those other qualities referred to which constitute excellence, they are not inferior; and, as regards substance combined with lowness of price, they may justly claim superiority over all other countries.

"Perhaps the proper position and character of the British Silk Manufacture may be described as the production of goods suitable in price and quality to the greater number of English consumers; and sufficiently rich, varied, and tasteful to form the useful and morning costume of the higher and wealthier classes of society. The International Jury (at Paris) fully appreciated the merit and value of British Silks in the above-mentioned respects; and so far from confirming the new theory of British decadence in manufacturing skill, considered them a decided improvement on the Silks exhibited in 1851. The medals they awarded attest this conviction." (*Reports on Paris Universal Exhibition*, 1855. *By Command.* Part I. p. 270.)

To this statement it is not necessary to append any comment.

The legislation of 1826 left an *ad valorem* duty of 30 per cent. on the import of Foreign Silk Manufactures. The expenses of smuggling silk goods were something less than 15 per cent., and, of course, the consequences were, that of the total consumption of foreign silk manufactures, not more than one-half paid any duty. This state of things was remedied, in 1845, by the reduction of the import duty to rates equivalent to about 15 per cent. *ad valorem*, but payable, at the option of the importer, either at the rate of 5*s.* per lb., or 15 per cent. on the value.

But even this last remnant of the old Silk Trade protections and prohibitions is now repudiated, by the leading manufacturers, as a positive evil.

In November, 1852, twenty-seven firms at Manchester, largely engaged in the manufacture of Silk, presented a Memorial to Mr. D'Israeli, then

Chancellor of the Exchequer — a memorial so remarkable for the boldness and clearness of its doctrines, that it may well find insertion here. It runs as follows:—

"This Memorial showeth, that your Petitioners are Manufacturers of Broad Silks in Manchester; that the trade in which they are engaged is in a depressed state; that their workpeople are not fully employed; and that this branch of manufacture has been almost stationary in extent for a period of ten years at least, whilst every other branch of Textile Manufacture has largely increased:

"That they consider the depression and non-extension of their trade to be owing *chiefly* to the limited nature of the Foreign Demand for their Goods; *and your Memorialists are of opinion that this is attributable to the Protective Duty imposed on foreign silk goods imported into this country*, the effect of such duty being to create an impression in the markets of the world that England is unable to compete with the Continental manufacturer in the production of Silk Goods, and thus to throw the Export Trade almost entirely into the hands of French and Swiss competitors:

"That, in the opinion of your Memorialists, however necessary protection may have been at a former period, it is now positively injurious to them, and they feel that it cannot, under any Government or under any circumstances, be long maintained.

"Your Memorialists therefore pray that you will be pleased *to relieve them by repealing the duty on foreign silk goods, not partially and gradually, but totally and immediately*, and thus proclaim to the world that the Manchester Silk Manufacturer denounces the so-called protection, and every aid a Government can give, — that he is prepared to depend solely on his own merit,—and that he avows himself capable of taking a higher position in the race of competition, unfettered by protection, than he has hitherto attained under its fostering care." *

With the paragraphs of this Memorial, I may appropriately close the outline of Mr. Huskisson's career as a fiscal reformer.

No one was more fully aware than himself that, after all his labours and anxieties, the system he left in force was still full of anomalies and imper-

* This Memorial appears in the Official Report on the Paris Exhibition, Part I. p. 272.

fections. But he had laid the foundations of a more symmetrical structure. The corner-stones of the ancient and gloomy stronghold had been thrown down or broken; and he left to other hands the duty and the honour of adding the last graces to the new fabric.

SECTION 7.

Progress made during the Period from 1827 *to* 1841.

Mr. Goulburn was Chancellor of the Exchequer from January, 1828, to November, 1830.

The Budget of 1828 made a few small reductions in the Tariff. The Budget of 1829 contained reductions to the extent of 126,000*l.*, chiefly on Thrown Silk and Ribbons. In the following year the large amount of 670,000*l.* of revenue was relinquished on Sugar, by reducing the duty on West India from 27*s.* to 24*s.*, and on East India from 37*s.* to 32*s.*

Lord Althorp's Chancellorship of the Exchequer extended from November, 1830, to the same month in 1834.

The Budget of 1831 relinquished 979,000*l.* on Coals brought coastwise, and 100,000*l.* more on some minor articles. It also proposed a salutary change in the Timber Duties. The opposition, however, led by Sir Robert Peel, were strong enough to defeat the proposal. But, on the other hand, it contained the very questionable scheme of raising 420,000*l.*, by an augmentation to 5*s.* 10*d.* per cwt. of the duty on Cotton Wool. The duties also on all sorts of Wine (Cape and French excepted) were raised, so as to produce 200,000*l.* of revenue.

The Budget of 1832 relinquished 113,000*l.* on Hemp, by reducing the duty from 4*s.* 8*d.* to 1*d.* per cwt.; and 143,000*l.* further was given up by reductions chiefly on Raw Materials.

In 1833, the error committed in 1831, by raising the duty on Cotton Wool, was partially rectified, by sacrificing 313,000*l.* of revenue, in order to reduce the duty from 5*s.* 10*d.* (imposed in 1831) to 2*s.* 11*d.* per cwt. But the 2*s.* 11*d.* per cwt. was still considerably more than the 6 per cent. *ad valorem*, as settled in 1819. A further sum of 34,000*l.* was given up on small articles.

The reductions of 1834 were 215,000*l.* on Currants, Raisins, Prunes, and Figs; 60,000*l.* on Coals exported in British ships; and 30,000*l.* on Oils. The reductions made in the rates on Currants, &c., may be referred to as illustrations of the old passion for high duties. On Currants, the reduction in 1834 was from 44*s.* 4*d.* to 22*s.* 2*d.* per cwt.; and on Sun Raisins from 42*s.* 6*d.* to 15*s.* per cwt. On Olive Oil, an important raw material, the reduction was from 168*s.* to 84*s.* per tun.

During the period from 1830 to 1834, more progress was made in reforming the Excise Duties than the Customs.

Mr. Goulburn's Budget of 1830 relinquished 3,110,000*l.* of revenue, by sweeping away the Excise Duties, ranging from 1*s.* 9*d.* to 9*s.* 10*d.* per barrel on Beer; 411,000*l.* more by abolishing the Excise Duties on Hides and Skins; and 55,000*l.* further by other remissions.

In 1831 Lord Althorp repealed the Excise Duty of 3½*d.* per yard on Printed Cottons, yielding 2,104,000*l.* In 1832, 483,000*l.* was given up on Candles. In 1833, half the Soap Duty was abolished, at a cost of 775,000*l.* In 1834, the duty of 3½*d.* per lb. on Starch, yielding 117,000*l.*, was given up; and a reduction of 1*s.* per gallon, yielding 408,000*l.*, was made on Irish Spirits.

Following the short five months' ministry of Sir Robert Peel, Mr. Spring Rice (now Lord Monteagle) was Chancellor of the Exchequer from April, 1835, to September, 1839.

The Budget of 1836 gave up 572,000*l.*, by reductions or repeals of Excise Duties on Paper and Spirit Licences; and 300,000*l.* by reductions of Stamp Duty on Newspapers; and in 1837, various Customs Duties, to the amount of 143,000*l.*, were remitted.

In 1840, Sir Francis Baring's Budget added 5 per cent. to the Customs and Excise Duties, as a means of raising 1,800,000*l.*

With the year 1840 terminates the Second historical period in the history of Free Trade in this country, so far as relates to its practical application to the settlement of a Tariff, and to the adjustment of Excise Duties.

The first period extended from 1820 to the illness of Lord Liverpool in 1827. That was the period when the principles of Systematic Revisions were laid down, and applied as far as circumstances and the opposition of special interests would permit.

The second period included the fourteen years' from 1827 to 1840. During those years some further steps were taken to purify the Excise Duties from a portion of their more preposterous and mischievous faults; but, as regards the Tariff, comparatively small advances were attempted or achieved in the direction of reform. The principal alterations were those made from 1831 to 1834 by Lord Althorp.

Lord Melbourne's Budget of 1841 proposed a series of changes, intended to apply, in a greater or less degree, the principles of Free Trade to the leading articles of Corn, Sugar, and Timber. These proposals were rejected. And,

as a matter of fact, it was true, at the close of 1841, that the systematic and extensive revision of the Tariff was, in a large sense, in the position in which it had been left by Mr. Huskisson in 1826.

It is necessary, however, to bear in mind that, while the period from 1827 to 1840 was not marked by great Fiscal Reforms, the hinderance is to be found in the number and magnitude of the political changes that were accomplished.

We must also remember that other reforms, of which it is difficult to over-estimate the importance, were either placed in a condition to be finally considered by the Legislature, or were actually reduced into the form of statutes. The greatest and most difficult of these reforms was the amendment of the Poor Law; and the Emancipation of the Slaves in the West Indies. Scarcely less difficult were the tasks connected with the extensive inquiries into Factory Employment; into the employment of Women and Children in various occupations; into the Sanitary condition of large Towns; into the deficiency of the means of Education; into the distribution of Ecclesiastical property and preferments; into the best means of effecting a Commutation of Tithes; and into a great variety of other similar topics.

We must also remember, that by the bold measure of relinquishing, in 1838, more than $1\frac{1}{4}$ Millions of revenue by the adoption of Mr. Rowland Hill's plan of Penny Postage, Mr. Spring Rice did really lay the foundation for no small part of the subsequent progress; for, in the absence of cheap postal communication, the extensive discussion of reforms would have been exceedingly difficult.

SECTION 8.

The Condition of the Tariff in 1840, *as ascertained by the Evidence taken before the Import Duties Committee of that Year.—Effects of the Report.*

Sir Robert Peel became First Minister in September, 1841; and, although the Chancellorship of the Exchequer was committed to Mr. Goulburn, Sir Robert Peel took upon himself the direct control of large financial questions.

His measures, in the session of 1842, were directed to three principal objects; namely, first, to obtain the enactment of a modification in the scale of Corn Duties; second, to establish the Income Tax of 3 per cent.; and, lastly, to accomplish a large and careful revision of the Tariff.

But in the year prior to the accession of Sir Robert Peel to office, there had been a remarkable inquiry before a Select Committee of the House of Commons on Import Duties; and there is reason to believe that it was the evidence taken before that Committee which, in some important degree, gave the immediate impulse to the fiscal proposals brought before Parliament by the falling Ministry of 1841, and by the new Ministry of 1842. The extreme and continuous distress of the leading interests of the country tended, of course, to procure a ready and earnest attention to any proposals of relief founded upon careful investigation.

On the 5th May, 1840, Mr. Hume obtained the appointment of a Committee to "Inquire into the "several Duties levied on Imports into the United "Kingdom; and how far those Duties are for "protection to similar articles, the produce or

"manufacture of this country or of the British "Possessions abroad; or whether the Duties are "for the purposes of Revenue alone." This Committee proceeded to fulfil its task with considerable zeal; and on the 6th August, 1840, they presented a Report to the House, which will always be referred to as a leading document in connection with our commercial progress; and appended to the Report was a large mass of evidence, remarkable for the bold and decisive manner in which the different parts of the case were treated.

The Report strongly recommended a thorough revision of the Tariff, with a view to a reduction of Duties; the removal of Differential duties in favour of Colonial Produce; and the abandonment of all reliance upon Protection of the Home Trade from Foreign Competition.

As regards the actual state of the Tariff at the time of the Inquiry, the following passage from the Report will show that it stood greatly in need of reform: —

"The Tariff of the United Kingdom presents neither congruity nor unity of purpose: no general principles seem to have been applied.

"The Schedule to the Act 3 & 4 Wm. 4. cap. 56. for consolidating the Customs Duties, enumerates no fewer than 1150 different rates of duty chargeable on imported articles, all other commodities paying duty as unenumerated; and very few of such rates appear to have been determined by any recognised standard.

"The Tariff often aims at incompatible ends. The Duties are sometimes meant to be both productive of revenue, and for protective objects—ends which are frequently inconsistent with each other.

"Whilst the Tariff has been made subordinate to many small producing interests at home, by the sacrifice of Revenue in order to support these interests, the same principle of preference is largely applied by the various discriminatory duties to the produce of our Colonies, by which exclusive advantages are given to the Colonial Interests at the expense of the Mother Country.

"Your Committee submit to the serious consideration of the House the following abstract of a General Account prepared

by the Inspector of Imports, viz., a list of 862 articles, divided into Eight Schedules, as follows:—

349	articles producing less than 100*l.* each of Customs Duty, or, in the aggregate					8,000
132	from	100*l.*	to	500*l.*	each	32,000
45	„	500	„	1,000	„	32,000
107	„	1,000	„	5,000	„	245,000
63	„	5,000	„	100,000	„	1,397,000
696						1,714,000
10	„	100,000	„	500,000	„	1,838,000
9	„	500,000	and above		„	18,575,000
715						21,527,000
147	On which *no duty* has been received.					
862						

"It appears that in the year 1839, out of a total Customs Revenue of 22,962,000*l.*, there were 17 articles which produced 94 per cent. of that revenue; and 29 other articles which produced 4 per cent. more, — making 98 per cent. of the Customs Revenue from 46 articles.

"The 17 articles affording the largest amount of Customs Revenue are articles of the first necessity and importance to the community; viz.,

Sugar,	Timber,	Currants,	Cheese,
Tea,	Corn,	Tallow,	Cotton Wool,
Tobacco,	Coffee,	Seeds,	Sheep's Wool,
Spirits,	Butter,	Raisins,	Silk Manufactures.
Wine,			

"The interests of the Public Revenue have been by no means the primary consideration in levying the Import Duties, inasmuch as competing foreign produce is, in some instances, excluded, and in others checked, by high Differential Duties, levied for the protection of British Colonial interests; and in many cases such differential duties do not answer the object proposed; for it appears, in the case of Foreign Clayed Sugars, where it was obviously intended that they should be excluded from the British Market, that the monopoly granted

to British Colonial Sugars has so enormously raised the prices in our market, that they have lately come into consumption, though charged with the Duty of 63*s.* per cwt., while our Plantation Sugars pay only 24*s.*

"Another inconvenience which the differential duties create, is, that they offer a premium for evading the intention of the legislature. Foreign Coffees are charged 1*s.* 3*d.* per lb.; Colonial Coffees, only 6*d.*! while Coffees imported from the Cape of Good Hope pay 9*d.* Now, as the cost of sending in an unusual and indirect way Coffee from foreign countries to the Cape of Good Hope is only from ½*d.* to 1*d.* per lb., very large quantities are shipped from the Brazils and Hayti to the Cape, and thence re-shipped to England: the English consumer thus pays the increased duty and the difference of freight, and the foreign coffee is not excluded from the British market, though it was obviously the purpose of the law to exclude it."

When this Report, with the evidence attached to it, were made public, in the autumn of 1840, it was immediately adopted as a text-book by the large and active party who, at that time, were rapidly rising into notice as the opponents of all Corn Laws; not merely of schemes for a fixed duty on Corn, but of all schemes whatever intended to afford protection to the domestic agriculture.

The central authority of this party was the Anti-Corn-Law Association (afterwards the Anti-Corn-Law League), at Manchester. Its leader, out of doors, was Mr. Cobden; its representative, within Parliament, was Mr. Charles Villiers. But the General Election of 1841 returned to the House of Commons most of the conspicuous men attached to the Free-trade party; and it may be said, with great truth, that the repeated motions and discussions, originated during the years 1842, '43, and '44, by Mr. Villiers, Mr. Cobden, Lord Howick (now Earl Grey), Lord John Russell, and others, were the means of finally establishing the Free-trade canon, in its largest sense, as the commercial creed of Parliament.

Out of doors the discussion was carried on by

the press and by pamphlets with an ability and boldness very often in advance of the character of the proceedings within the Legislature. The opposing party were reduced more and more in weight and numbers; their arguments were completely exploded one after the other; and when the reviving prosperity of the country, after 1842, afforded the triumphant test of facts, the Protectionist Body became so completely powerless, as adversaries formidable by argument or the strength of their case, that the only resource left to them was to direct their opposition to the single purpose of defending the Corn Law.

And in that object also they were at length defeated.

The plea for total repeal, urged year after year in the House of Commons by Mr. Villiers, and urged by him with an earnestness and force of argument which were as conspicuous in the earlier stages of the struggle, when he received but little support from any party out of doors, and had to face opposition in its most resolute forms within the Legislature, as they were when towards the close of the conflict he had become the organ of a great confederacy;—at length, aided by special circumstances, in 1846, finally prevailed; and the whole fabric of the Corn Monopoly was for ever swept away.*

* Among the earliest and most prominent and persevering assailants of the Corn Laws, was Mr. Woolryche Whitmore. His repeated motions in the House of Commons, between 1822 and 1827, produced considerable effect. As a country gentleman whose fortune depended wholly on the land, Mr. Whitmore addressed himself to the Agricultural Class with advantages and a success of no common order.

SECTION 9.

Sir Robert Peel's Tariff Reform of 1842. — *Reflections.*

The evidence collected by the Import Duties Committee produced a great impression on the mind of Sir Robert Peel. This is evident from several of his speeches. And I have reason to know that Mr. Hume considered that the adoption by Sir Robert Peel of very decided opinions in favour of Free-Trade measures was to be traced to this cause.

The publication, at some future time, of papers, at present inaccessible, may throw considerable light on the motives which led to the gradual and guarded form in which Sir Robert Peel introduced his free-trade principles into practice. It is true that all sudden and violent changes were at variance with the mental qualities he habitually displayed; although, as was shown, at least on two signal occasions, he did not hesitate, under certain circumstances of difficulty, to become the instrument of alterations of policy wholly opposed to his former associations and doctrines.

As regards the Commercial Policy of Sir Robert Peel in 1842, and during the years 1843 and 1844, there are several embarrassing questions.

The truth really is, that so far as the interests of the country were concerned — so far as the improvement of the condition of the Labouring Classes might be considered — the repeal of the Corn Laws, and the entire adoption of Free Trade, were more necessary in 1842, than they were in 1845 and 1846. The delay of three years was prejudicial in almost every sense. It fos-

tered the growth of a dangerous form of political agitation; it kept alive, within the Legislature, a controversy which interrupted most grievously all public business; and throughout the country it impeded, more or less, every pursuit by the harassing apprehension of impending changes. In Foreign Countries the consequences were exceedingly mischievous; for the Governments of those countries were able to refer to the faltering course pursued by a liberal Minister in England, as the best excuse for their own persistence in refusing all reciprocity.

As a mere measure of party, the delay was a great and striking failure. The respite did not conciliate a single interested enemy, and it brought down upon its promoters the hostility of a large number who, amidst the alarm and the distresses of 1842, would have felt that at least a public exigency required a momentous effort. When the majority who had been returned to Parliament in 1841 to support Sir Robert Peel, were at length called upon, in 1846, to give up the Corn Law, they resented the demand as a galling concession to the courage and capacity of the League; and ten years have not sufficed to smooth down the violent resentments then excited.

The ability and management with which Sir Robert Peel preserved himself from entering into any specific pledges to his party, prior to his accession to office, in the autumn of 1841, will probably be considered by the next generation as among the most remarkable instances of his aptitude for administration. In reality, the Conservative Members of 1841 were returned, far less for the promotion of any clear line of Conservative Policy, than for the purpose of expelling the Whig ministers, and enabling Sir Robert Peel, as Premier, to extricate the country out of the extreme dangers which beset it. It would have been among the most fortunate and

pregnant events in the history of this country if, in 1842, Sir Robert Peel had been so far advanced in his adhesion to a Free-Trade policy, and had been so far able to control his party, as to have carried, in that year, the reforms of the Customs Laws and the Tariff, which he did not attempt till 1845 and 1846.

The disclosures of future biographers will probably show that there were insuperable obstacles, in and out of the Cabinet, to the accomplishment of any changes greater than those which marked the years 1842, '43, and '44. We must remember, also, that no circumstance contributed so powerfully to the fall of Lord Melbourne's Government, as its proposal, in 1841, of a Fixed Duty on Corn of eight shillings; and we know that it required years of refutation to drive the Landed Interest even into a sullen acquiescence in the practical repeal of all duty.

Still the fact remains, that the obstinacy of the Tory Party in 1842 exposed the country to the perils and uncertainties of three years of violent political agitation; and brought upon them, at last, the irritating necessity of having to surrender, to the demands of a formidable confederacy of their opponents, the reforms they might have granted as measures of statesmanship and patriotism.

A passage from the speech of Sir Robert Peel, on the 10th May, 1842—the speech in which he described in detail his proposed alterations of the Customs Duties—will indicate very clearly the influence exerted upon him by the Evidence of the Import Duties Committee, and will convey, in his own language, a statement of the principles which had been followed in forming the alterations.

"The general scope and purport," said Sir Robert Peel, "of the Commercial Arrangement proposed by Ministers, is to simplify the existing law. It cannot be denied that the existing law

"is, in many respects, obscure and inconsistent, and "that there are duties applicable to particular ar- "ticles which are not reconcilable with principle.

"In the year 1787, Mr. Pitt consolidated the Cus- "toms Laws; and during the War, according to the "degree of financial pressure, it was the practice "occasionally to raise the Customs Duties indis- "criminately, with a view to revenue merely, and "without considering the general results it might "produce. I think that a great part of the ano- "malies and inconsistencies of our present Tariff "arises from that practice of an indiscriminate "per-centage being applied to various articles. In "1825, the Customs Laws again came under the "consideration of Parliament; and at the instance "of Mr. Huskisson many important changes were "made.

"I may remark, that I wish to claim for the pre- "sent Government no undue share of credit for the "proposal they have made; and I am bound to ad- "mit, that the last occasion on which the attention "of the House was called to the subject, was when "the Committee on Imports was appointed in the "year 1840. I do not say that, if time had per- "mitted, the investigation might not have been "more general, and the result more complete; but "I never did at the time, and I do not now, wish "to depreciate the labours of that Committee, or "to deny that, in directing the attention of the "public to the state of the Tariff and Import Du- "ties, it established a claim to public gratitude.

"We have, therefore, applied ourselves to the "imperfections of the Tariff in order to make it "clear and intelligible, and, as far as possible, con- "sistent, which of itself, without reference to the "amount of the duty, is certainly a great public "object.

"Speaking generally, we have also sought to re- "move all Prohibitions — all absolute Prohibitions

"— upon the import of foreign articles; and we "have endeavoured to reduce duties, which are so "high as to be Prohibitory, to such a scale as may "admit of fair competition with domestic produce. "In cases where that principle has been departed "from, and prohibitory duties maintained, there "we justify our departure from the rule by the "special circumstances of the case; but the general "rule has been to abolish prohibitions, and to re- "duce prohibitory duties within the range of fair "competition.

"With respect to Raw Materials which consti- "tute the elements of our manufactures, our object, "speaking generally, has been to reduce them to "almost a nominal amount. In Half Manufactured "articles, which enter almost as much as the Raw "Material into our domestic manufacture, we have "reduced the duty to a moderate amount; and, with "regard to Completely Manufactured articles, our "design has been to remove prohibition, and to re- "duce prohibitory duties, so that the manufactures "of foreign countries may enter into fair competi- "tion with our own. And I still entertain that "confident belief and expectation, which I expressed "on first intimating the intentions of Government "as to this Tariff, that the general result of it "will be, if adopted by the House, materially to "diminish the charge of living in this country."

The gross amount of Customs Revenue relinquished by the reforms of 1842, was the large sum of 1,627,000*l.* — a sum considerably larger than had been given up by any Budget since Mr. Huskisson's great reform of 1825. The amount relinquished in 1825, was 2,770,000*l.*, including more than a million for the remissions on Wine.

In 1842 the largest remissions were on Wood and Timber (680,000*l.*); on Coffee (201,000*l.*); on articles yielding less than 10,000*l.* of revenue each (324,000*l.*); and on the repeal of the export duty

of 10*s.* 6*d.* per cent. *ad valorem* on British Goods exported (111,000*l.*). The reductions in the rates on Timber were very large; on Colonial Timber (not sawn or split) the reduction was from 11*s.* 6*d.* to 1*s.* per load,—on Foreign from 56*s.* 6*d.* to 31*s.* 6*d.* per load. On Colonial Coffee the reduction was from 6*d.* to 4*d.* per pound,—on Foreign from 9*d.* to 8*d.* per pound. There were also large reductions in the previously absurd rates on several descriptions of Raw Materials; on Indigo, for example, the reduction was from 29*s.* 5*d.* to 1*s.* per cwt.; on Hides from 2*s.* 6*d.* to 2*d.* per cwt.; on Palm Oil from 1*s.* 4*d.* to 6*d.* per cwt.; and on Turpentine from 4*s.* 6*d.* to 1*d.* per cwt.

SECTION 10.

The greater Reforms of 1845 *and* 1846.—*The final Adjustments of the Corn Laws, the Sugar Duties, and the Duties on Timber.*

In the Budget of 1843 the amount of Customs Duties remitted was 171,000*l.*, chiefly on Foreign Timber.

In 1844, the remission was 287,000*l.*, and included a reduction from 8*d.* to 6*d.* per lb. on Foreign Coffee; from 23*s.* 3*d.* to 15*s.* 9*d.* per cwt. on Currants; and a repeal of the duty on Foreign Sheep's Wool.

In 1845 came the largest and boldest measure of Tariff Reform which had ever been submitted to Parliament. The total amount of Customs Duties remitted was no less than 3,614,000*l.* Of this large sum about 1¼ Millions represented the

total repeal of the duties on several important Raw Materials.

Of these the most important was Cotton Wool; and on that commodity the remaining rates, equal to about 6 per cent., were at last swept away at a sacrifice of 683,000*l.* of revenue. On a large group of articles, yielding less than 10,000*l.* each, the repeals amounted to 172,000*l.* On Sugar, no less than 2,315,000*l.* of revenue was relinquished, by reducing the rates on British Colonial from 25*s.* 2*d.* to 16*s.* 4*d.* per cwt. In addition to these remissions a further amount of 1,135,000*l.* of gross revenue was surrendered in the Excise, by repealing the duties on Glass (824,000*l.*) and the duties on Auctions (308,000*l.*).

In 1846, the Customs Duties given up were 1,160,000*l.*; but from that amount was to be deducted 416,000*l.*, estimated to accrue by a reduction of the prohibitory duties on Foreign Sugar; so that the net sacrifice of revenue was 744,000*l.* The principal remissions were on Silk Manufactures, Butter, Cheese, Clover Seeds, Tallow, Foreign Spirits, and Oxen and Bulls; and, following the plan of former years, a large class of smaller articles were either set free or placed under low rates.

The Corn Importation Act (9 & 10 Vict. cap. 22., 26th June, 1846) directed, that *until* the 1st February, 1849, a scale of duties on Wheat of 10*s.* per quarter when the price was 48*s.* or under, and falling to 4*s.* per quarter at 53*s.* or upwards, should be enforced; and that *after* the 1st February, 1849, the duty should be a single uniform rate of 1*s.* per quarter. Proportionate rates were prescribed for other kinds of grain.

The Sugar Duties Act (9 & 10 Vict., cap. 63., 18th August, 1846) applied the same principle of gradual reduction to the Differential Duties in favour of West India Sugar, and effected, in a

great measure, a settlement of the long and fiercely contested question of the monopoly of the Home Market, claimed by the West India Interest.

Selecting the quality of Sugar known as Muscovado, as the description which will best represent the rate of duty on the commodity as a whole, the statute of 1846 imposed a duty of 14*s.* per cwt. on West India Muscovado; of 17*s.* 6*d.* on East India; and of 21*s.* on Foreign. By means of annual reductions, taking effect on each 5th July, and spread over five years, it was provided that after the 5th July, 1851, the duty on Muscovado Sugar of all origins — West India, East India, or Foreign — should be 14*s.* per cwt.

This arrangement continued in force for two years. But in the session of 1848 (3rd February) Lord George Bentinck obtained a Select Committee to inquire into Sugar and Coffee Planting in the East and West Indies and the Mauritius, with a view to measures of relief.

The proceedings connected with this Committee, and the discussions which arose out of it, were almost the last systematic effort of the Protectionist Party to defend their views on general questions of commercial policy. Towards the close of the session of 1848 (16th June), Lord John Russell announced that the Government were prepared to make a final settlement of the West India claims, and of all questions of Sugar Duties, by guaranteeing a loan of 500,000*l.* to be applied to purposes of West India Immigration; to alter the act of 1846 to such an extent as would reduce the common rate of duty from 14*s.* to 10*s.* per cwt.; and to reduce the differential duty on Rum to 4*d.* per gallon. These proposals led to a debate which extended to no less than six adjournments; and the West India party, availing themselves adroitly of the peculiar views of the Anti-Slavery Society, were able (29th June) to collect no less than 245 votes,

against 260 votes given for Ministers, on the decisive question raised by an amendment moved by Sir John Pakington and seconded by Sir Fowell Buxton.

The issue of the conflict was the Sugar Duties Act of 1848 (11 & 12 Vict. cap. 97., 4th September, 1848), which provided that, after the 5th July, 1854, the duties on Muscovado Sugar of *all origins* should be 10*s.* per cwt.

With this statute terminated the career of that famous West India Interest, which for seventy or eighty years had retained to itself, with so much tenacity, and often with so much arrogance, the power of levying a tax on the whole community for the maintenance of a costly sugar culture in its own plantations.

It hardly admits of a doubt, that the premature and unwise curtailment of the period of the Slave Apprenticeship, did inflict very considerable injustice and injury upon West India proprietors. It compelled them to submit to a violent and sudden departure from the terms of the Emancipation, and, by relieving the Negroes from temporary wholesome restraint, it reduced them, in a great measure, to the condition of black population who, inhabiting a tropical climate, had no adequate motive to undertake manual labour. The measure of 1838 has been therefore the fruitful origin of a large part of the difficulties connected with the West Indies since that time. The Emancipation itself was an act in the highest sense just, wise, and politic, and worth every sacrifice that was made in its behalf. But, unhappily, there was a large body of sentimentalists in this country, who were enabled, to the injury of the Negroes, the unjust impoverishment of the Planters, and the discredit of the Mother country, to interfere too constantly in adjusting the steps of the great social change; and the grossest and least excusable of

their errors was the act of 1838, suddenly putting an end to the Apprenticeship.

The Tariff Act of 1846 also provided for the ultimate correction of the mischievous consequences arising from the differential duties in favour of Canadian Timber.

It was one of the great merits of the Tariff Reform of 1842, that it dealt in a vigorous manner with the complicated scale of Timber Duties which it found prevailing. Adopting the two principal divisions of Hewn and Sawn Timber, the duties imposed in 1842 (per load of 50 cubic feet) on Timber from British Possessions were, 1*s.* on Hewn, and 2*s.* on Sawn; from Foreign Countries, 30*s.* on Hewn, and 38*s.* on Sawn; with a provision that after the 10th October, 1843, these rates should be reduced to 25*s.* and 32*s.* respectively.

The Tariff remained in this state till 1846, when it was enacted (9 & 10 Vict., cap. 23., 26th June, 1846) that the rates on Foreign Timber should be, on Hewn 20*s.*, and on Sawn 26*s.*, with a reduction, after the 5th April, 1848, to 15*s.* and 20*s.*

It was estimated that these reductions would involve, in 1847, a sacrifice of 247,000*l.* of Customs Revenue; and in 1848 a further sacrifice of 215,000*l.* of revenue.

In 1851 another effort was made in the direction of Equalisation. In the Budget of that year provision was made for remitting one half of the duties on Foreign Timber; that is to say, the rates were reduced, on Hewn Timber to 7*s.* 6*d.* per load, and on Sawn to 10*s.* per load; the rates on Colonial remaining at 1*s.* and 2*s.* per load. These reductions involved an estimated sacrifice of 292,000*l.* of revenue.

Comparing, therefore, the rates of 1842 with the rates of 1851, the reductions were from 30*s.* and 38*s.* per load to 7*s.* 6*d.* and 10*s.*, at a sacrifice

of revenue, as estimated at the several dates, of three quarters of a million.

Even at the reduced rates of 1851 — the rates still in force — the duty is equal to more than 10 per cent. on the value of the commodity. The rates of 1842 were equal to 50 per cent. The rates *prior* to 1842 were almost prohibitory. In 1850, the year before the alteration, and when the rates were 15*s.* and 20*s.* per load on Foreign Timber, the total Customs Revenue from Timber was 647,000*l.* In 1854, three years after the rates had been reduced one half (to 7*s.* 6*d.* and 10*s.*), the total Customs Revenue from Timber was 620,000*l.*, or a diminution (of 27,000*l.*) equal to little more than 4 per cent.

There is still great need of a further reduction even in the rates of 1851.

We have repealed the Navigation Laws, and we require cheap and good Timber for Shipbuilding. We stand in urgent need of better Dwellings for the population, and Timber is as necessary as bricks. The 600,000*l.* of revenue at present derived from Timber is not to be lightly dealt with; but it is incumbent upon us to regard Timber as a raw material of prime necessity, and to hasten, as rapidly as we can, to set it free from all duties, and to render this country the great *entrepôt* of the Timber Trade, as it has already become the great *entrepôt* for Cotton and Sheep's Wool, for Indigo, and other commodities.

The general result of the Tariff reform of 1845, was to carry out the plan of simplification so far, that the 1100 heads of heterogeneous duties described by the Import Duties Committee of 1840 were reduced to 590.

SECTION 11.

The Progress made from 1847 *to* 1852.—*The New Parliament of Nov.* 1852; *and the Failure of the Protectionist Scheme of Mr. Disraeli.*

Sir Robert Peel announced the dissolution of his Government on the 29th June, 1846; and Lord John Russell became Premier, with Sir Charles Wood as Chancellor of the Exchequer, and Lord Grey as Colonial Secretary.

The Budgets of 1847, '48, and '49, so far as the Tariff was concerned, do not require any comment.

The operation on the revenue of the progressive reductions, provided for in 1846 and 1848, on the Sugar and Timber Duties, prevented any important further remissions. In the session of 1849 the Navigation Laws were very considerably relaxed by the act 12 & 13 Vict. cap. 29., after the subject had been very fully investigated by Select Committees of both Houses.

In the Budget of 1850, provision was made for relinquishing the duty on Bricks, producing (at the rates of 5*s.* 10*d.* per 1000 on small, and 10*s.* per 1000 on large Bricks) an Excise revenue of 462,000*l.* By reductions and modifications of a great number of Stamp Duties, a further sum of 500,000*l.* of revenue was given up.

In 1851 the state of the Income and Expenditure justified considerable changes.

The remissions in the Customs were 803,000*l.* Of this sum 292,000*l.* arose from the reduced Timber Duties, already explained; a sum of 361,000*l.* arose from the progressive fall of the Sugar Duties under the act of 1848; and 150,000*l.*

was occasioned by the final equalisation of the Duties on Coffee, by the substitution of an uniform rate of 3*d.* per lb. for the previous rates of 6*d.* on Foreign, and 4*d.* on Colonial. By the same Budget the oppressive burden of the Window Duties, yielding 1,879,000*l.*, was given up, but was partly replaced by the Duty on Inhabited Houses, estimated to yield, at 9*d.* in the pound on Private Houses, and 6*d.* on Shops and Farmhouses, a revenue of 600,000*l.*

The dissolution of Lord John Russell's Cabinet was announced on the 23rd February, 1852; and Lord Derby became First Minister, and Mr. Disraeli Chancellor of the Exchequer.

The New Ministry declared themselves the opponents of the Corn Law Policy of 1846, and urged, but in guarded language, the desirableness of taxing all Foreign Commodities which came into competition with home labour. They declared, however, that, as regarded the whole subject of the Commercial Policy, they would be bound by the issue of the General Election.

That General Election took place in July (1852). The New Parliament met on the 11th November; and the result of the appeal to the country was very distinctly shown by the division of the 26th of the same month, when a motion by Mr. Villiers, declaring that the improved condition of the country was the effect of Free Trade, and that the maintenance and extension of a Free Trade Policy was most conducive to the good of the community, was carried by a Majority of 80 votes; viz., 336 against 256.

With that division there was an end, for all time, in this Realm, of the great controversy which had been carried on in Parliament, with fluctuating fortune, for more than thirty-two years.

Mr. Disraeli's Budget was introduced on Friday, the 3rd December (1852). Considerable pains

had been taken, by Mr. Disraeli himself and his party, to excite great curiosity as to the nature of this financial scheme. The phrase, "looming in the future," had been applied by Mr. Disraeli, in the course of the summer, to the vast character of the changes and improvements he had in contemplation; and when the evening arrived on which this singular person had to take upon himself and his colleagues the responsibility of fulfilling the expectations which had been raised, and of producing a plan reasonably free from the defects he had so vehemently, and for so many years, imputed to others, it is probable that the interest in and out of parliament was excited to a pitch not often equalled.

When the details of the new scheme were stated, it became manifest that Mr. Disraeli's plan was, at best, a bold attempt to compensate the Agricultural Interest for the loss of the Corn Law, by imposing a double house duty on the Towns in order to provide the means of remitting half the duty on Malt and Hops; and this was the view which was instantly taken of it by parliament and the country, and was the ground upon which its defeat followed within a fortnight after its promulgation.

The minor parts of the scheme were, the modification of the Income Tax, by taxing, at a lower rate ($5\frac{1}{4}d.$ in the pound), industrial incomes, but reducing the minimum of exemption from 150*l.* to 100*l.* per annum; extending the tax to Ireland, as regards public funds and salaries; and assessing the tax on farmers in the proportion of one third instead of one half of their rent. It was proposed, also, to reduce, at once, the duty of 2*s.* $2\frac{1}{2}d.$ per lb. on Tea, to 1*s.* 10*d.*, and by five annual abatements of 2*d.* each, to reduce the duty to 1*s.* in 1857. There were also several provisions for relieving Shipping from Lighthouse and other charges. The doubled House Duty (that is, 1*s.* 6*d.*

instead of 9*d.* on Private Houses, and 1*s.* instead of 6*d.* on Shops) was proposed to be extended to all houses of 10*l.* annual rent, the limit of the tax of 1851 being 20*l.*

Such was the last Protectionist Budget;—a Scheme so full of fatal faults; disturbing, for reasons inadequate, large portions of the revenue least open to objection; displaying so small an amount of inventive resource; and proposing so unwisely and rashly to fasten an oppressive tax upon the Towns for the sake of an extremely problematical benefit to the Land; that we are relieved from any feeling of surprise at the swift and signal collapse which it brought upon the reputation of its Author, and the position of his Party.

The Debate began on the 10th December, and, after three adjournments, a division took place at 4 o'clock on the morning of the 17th December, giving 286 votes for the Ministry, and 305 against them.

Lord Aberdeen immediately succeeded Lord Derby as Premier, and Mr. Gladstone took the post of Mr. Disraeli.

SECTION 12.

Mr. Gladstone's Free Trade Measures of 1853;—*and the Improvements in Commercial Legislation.*

Mr. Gladstone's Financial Statement of the 18th April, 1853, already marks an era in the fiscal history of the country, as fulfilling nearly every condition which could be required, either by those who looked merely to practical adaptation to the particular time, to the bold adoption of an independent course, or to the employment of novel and ingenious expedients.

The scheme was composed of five principal branches.

In the first place, it extended, under the name Succession Duties, the tax on Legacies of personal property to all bequests of Real Estate; and by this bold measure put an end to the great anomaly and injustice of the taxes on property obtained by inheritance; an anomaly and injustice of which Mr. Pitt was perfectly sensible when he first introduced the scheme of a legacy-duty, in 1796, but which neither his nor any subsequent Government had been able to remove. By this Succession Duty Mr. Gladstone obtained 2,000,000*l.* of revenue.

In the second place, provision was made for the gradual extinction of the Income Tax in 1860, and for its application, in the meantime, to Ireland, so as to place all parts of the United Kingdom under the same code of contribution. In the third place, the Excise Duty on Soap was relinquished, at a cost of 1,171,000*l.* In the fourth, 600,000*l.* was given up for the sake of removing or reducing oppressive Stamp Duties, of correcting the scale and incidence of the Assessed Taxes, of repealing the tax on Advertisements, and of correcting and simplifying the Stamps on Receipts, &c.; and, lastly, 1,500,000*l.* of revenue was relinquished for the sake of carrying out a large measure of reform in the Tariff.

Under this division arrangements were made for reducing, in three years (or after 5th April, 1856), the duty of 2*s.* 2¼*d.* per lb. on Tea, to 1*s.* per lb.; and what were the other alterations proposed, and the principles on which they were founded, may be best explained in the words of Mr. Gladstone himself:—

"In proceeding," he said, "to consider more generally the state of our Tariff, we have been desirous to carry into effect something like a New Revision of Taxes, and to apply to

it, wherever our means would permit, the following general rules:

"First, to abolish altogether the duties which are Unproductive except in cases where there may be some special reason to retain them on account of their relation to other articles; and, in the next place, to abolish, as far as considerations of revenue will permit, duties on articles of Manufacture, except such as are in the last stage as finished articles, and are commonly connected with hand-labour, in regard to which cases we have thought it more prudent and proper to proceed in the mode, not of abolition, but of reduction: in these cases we have endeavoured to fix the duties in such a way that, as a general rule, they should not stand, as to any class of goods, higher than 10 per cent. on their value.

"As I have referred to 10 per cent., I may state that we have not thought it right to propose a reduction in the Silk Duties, which are 15 per cent. The question of the Silk Duties is mainly a question of revenue, and in regard to it we do not think it is an article that has the strongest claims upon our consideration; for, in so far as it is an article into the manufacture of which protection enters, the protection has mainly reference to certain classes of operatives, with respect to whom it would be the disposition of Parliament to proceed carefully, and with great circumspection.

"We desire further, whenever it can be done, to take the mode of substituting Rated Duties for duties *Ad Valorem*, and to get rid in every case, except in a few instances where it is important on account of revenue, of the 5 per cent. addition to the Customs duties made in 1840, which, besides raising duties, greatly complicates the transactions of business.

"We propose, in many instances, where there are at present Differential Duties in favour of British Possessions, to merge those differential duties altogether, by lowering the Foreign Article to the level of the Colonial; but where we are not able to lower the Foreign article to the level of the Colonial, we have not thought it would be considerate, in any case, to raise the duty on the Colonial article. Lastly, we have been desirous to lower the duties that press on Foreign Articles of Food, which enter largely, if not into the necessaries of life, at any rate into what may be called the luxuries and comforts of the mass of the people.

"Now, the application of this last rule will be as follows:—as to Articles of Food, we propose to lower the duty on a number of articles, of which the principal are these:—Apples, from 6*d.* and 2*s.* a bushel to 3*d.*; Cheese, from 5*s.* to 2*s.* 6*d.* per cwt.; Cocoa, from 2*d.* to 1*d.* per pound; Nuts, from 2*s.* to 1*s.* per bushel; Eggs, from 10*d.* to 4*d.* per 120; Oranges and Lemons, from a variety of rates, all of them high, to 8*d.* per bushel; Butter, from 10*s.* to 5*s.* per cwt.; Raisins, from

15*s.* 9*d.* to 10*s.* per cwt. The produce of these articles to the revenue, at the present moment, is 571,000*l.*; the immediate relief given by the reduction on the same quantities would be 262,000*l.*; but with the allowance which we think may be made for an immediate increase of consumption, the probable net loss will be 185,000*l.*

"Besides these articles of food, which are 13 in number, including Tea, there are 123 Articles which we propose to *set altogether free from duty,* involving a loss of 53,000*l.*; and 133 more articles which we propose to reduce, involving a gross loss of 70,000*l.*, but one which, with an allowance for increased consumption, may be taken at 52,000*l.* The effect of this will be generally to effect a great simplification of the present system."—(*Mr. Gladstone's Budget Speech, 18th April,* 1853., *Revised Edition,* pp. 56—7.)

The general effect of the Tariff Reforms of Mr. Gladstone, was to introduce a degree of simplicity into the Custom House code, hardly credible to those who had witnessed the infinite oppression and complexities of former periods. For beyond the mere amendment of the Tariff, it was part of the scheme of 1853 to revise and improve the internal administration of the Custom House, — to provide for the appointment of more efficient Commissioners, — to remove the causes of delay and vexation in the entry and passing of goods, — and to consolidate into a comparatively small compass the whole of the statutes and regulations relating to the Customs Revenue.

As regards the Tariff, *per se*, or the rates of duty imposed on Imports, the great ends of consolidation and simplicity were in no mean degree achieved by the Act 16 & 17 Vict. cap. 106. — (20th August, 1853,) — described as an Act for "Consolidating the Customs Duties Acts." Under this statute the number of Dutiable Articles was reduced to about 360. We have already seen that in 1840 the number was nearly 1100. The reforms of 1845 reduced it to 590. The further reforms down to 1852 had accomplished a further reduction to 470, — and at length, in 1853, the present number of 360 was established.

A twin Act (16 & 17 Vict. cap. 107, — 20th August, 1853,) consolidated "the Laws relating to "the Customs of the United Kingdom, and certain "Laws relating to Trade and Navigation, and the "British Possessions." In 1810 it required five years to effect a digest of the Customs Laws into 1400 pages; and even Mr. Huskisson, in 1826, was not able to arrive at a more satisfactory result than the employment of eleven elaborate separate Acts for the Consolidation of Customs Duties, but a result to which he justly attached so much importance; — and by the first of these eleven Acts, more than four hundred statutes, many of them old or obsolete, were repealed.

But the great success of 1853 had been prepared, in a most important degree, by the inquiries before the Committee on Customs Duties, obtained by Mr. Mitchell, the member for Bridport, in 1851, and by the investigations of the Association of Merchants, who had felt themselves compelled to adopt vigorous measures, in consequence of the grave defects in the Custom House management. The immediate charge of the measure of 1853, was committed to the Secretary of the Treasury, Mr. James Wilson; and his speech of the 21st April, (1853,) on introducing the Bill, was among the most remarkable expositions of a session pre-eminent for such displays.

To the same class of measures of reform of Mercantile Legislation and arrangements, belongs the elaborate scheme prepared and carried through by Mr. Cardwell, for the improvement of the Mercantile Marine and the Pilot service.

SECTION 13.

The Alterations produced by the War, 1854–56.

The autumn of 1853 was occupied with anticipations of the Russian War; but the actual Declaration of War by this Country was not issued till the 28th March, 1854. France had issued a similar declaration on the preceding day.

Mr. Gladstone's two Budgets of the 6th March, and 8th May (1854), provided for the War Expenditure, so far as additional taxes were concerned, by doubling the Income Tax (that is, raising the rate of 7*d.* to 14*d.* in the pound,) estimated to yield 6,500,000*l.*; by the addition of 1*s.* per gallon on Scotch, and 8*d.* per gallon on Irish Whisky, estimated to produce 450,000*l.*; by fixing the duties on Sugar of all origins at the rates of 11*s.*, 12*s.*, 14*s.*, and 16*s.* per cwt. according to quality,—an alteration estimated to yield 700,000*l.*; and by increasing the Malt Tax from 2*s.* 9*d.* to 4*s.* per bushel, estimated to yield 2,450,000*l.*, — the total additional taxation amounting in the whole to about 10,000,000*l.* And the further supplies to be obtained by the issue of 4,000,000*l.* of Exchequer Bonds, and 2,000,000*l.* of Exchequer Bills.

Lord Aberdeen's Cabinet was dissolved in February, 1855, and Mr. Gladstone's resignation was announced on the 22d of that month. His successor was Sir Cornewall Lewis.

The Budget of the 20th April, (1855,) proposed to raise 16,000,000*l.* by Loan, and 5,300,000*l.* by increased Taxes. Of this sum, 3,300,000*l.* was to be obtained from additional rates on Sugar, Coffee, Tea, and Spirits; and 2,000,000*l.* by adding 2*d.* per pound to the Income Tax, and so raising the assess-

ment to 16*d.* in the pound, with a provision that the rate so increased should continue for twelve months *succeeding* the 5th April that might *follow* the ratification of a definitive Treaty of Peace.

As regards Sugar, the rates were raised from 11*s.* per cwt. on Brown Muscovado, to 13*s.* 9*d.*; and on White Clayed from 14*s.* to 17*s.* 6*d.*; with a provision for a reduction of the rates to 9*s.* 6*d.* and 11*s.* 8*d.* respectively after the close of the War. On Coffee the rate was raised from 3*d.* to 4*d.* per lb.; and on Tea the rate was made 1*s.* 9*d.*,—in both cases with provision for reduction on the arrival of Peace.

These suspensions, however, of the progress of Free Trade policy, were only sanctioned by the House on the plea of a paramount necessity,—and in every one of the instances great jealousy was manifested against the introduction of any clause which should in the least degree retard the progress of the reduction of rates immediately on the return of Peace.

Information that the five propositions laid before Russia by Austria were accepted by the former Power, was received in London on the 17th January, 1856,—the Preliminaries of Peace were signed on the 1st February at Vienna,—and the definitive Treaty was published in London on the 26th April (1856).

The Budget of 1856 did not make a single change in any kind of tax.

SECTION 14.

The General Effects of Free Trade upon Prices and the Condition of the Population.

We have now before us the means of forming a general estimate of the progress of Free Trade in this country, and in other countries, during the last

thirty-five years, and more especially during the last fifteen years.

As regards ourselves, the change, — measuring from the two points of 1842 and 1846, — has been so vast and rapid as to amount to something little short of a social revolution.

Relieved in a multitude of ways from fiscal and legal hindrances, the industry and skill of the country, aided by its capital, has bounded forward with an elasticity of which it is difficult to form an adequate conception. For myself, I confess that, after pursuing for a long period, with all the patience and industry I could command, the various kinds of statistical and general evidence connected with the state of Great Britain since 1840, the impression which has been most strongly produced on my own mind is one of unfeigned astonishment at the solidity and vastness of the amelioration which has been accomplished.

Looking back at the frequent occurrence of deficient harvests since 1840, — at the violent political agitation which marked the first few years after that date, — at the famine of 1846, — the failures of 1847, — the revolutions of 1848, — the vast expenditure in Railways in the years from 1845 to 1852, — the enormous losses entailed by the Australian Trade in 1854–5, — the uncertainties, and the hazards, and the heavy taxes, arising out of nearly three years of incipient or active War, — the high and increasing prices of all the means of living since 1852, — and, notwithstanding all these adverse influences, seeing at the present time the universal evidence of vigour, resolution, and contentment which prevails throughout every order of the State, — it is impossible not to be struck with so great a spectacle; and it appears to me that it is equally impossible not to trace its origin, in a very considerable degree, to the Free Trade Reforms.

Apart from these reforms, I imagine that no competent inquirer would presume to maintain that since 1840 we could have found the only true remedy for Chartism in better Wages and greater comfort for the Manufacturing Population; or that we could have passed through so gloomy a series of deficient seasons without a ruinous and lamentable increase of permanent pauperism.

The operation of Free Trade on the production and consumption of Commodities, and therefore on Prices, has been as beneficial as it has been extensive.

Its greatest and most constant effect has been to prevent sudden and extreme fluctuations; and it has produced that effect in this country in three principal ways, — first, by rendering this country in a great measure an emporium or Cosmopolitan Market for a large class of imported commodities; — second, by providing, through the yearly increasing means of the Working Classes and the general community, a demand for articles of comfort and luxury which has followed, with but few interruptions, a constant course of expansion; — and, lastly, the greater facilities for sending commodities to this country, and the extent and certainty of the market they have found here, has led to such a growth, and such improvements in the sources of Supply, that for most descriptions of imports, especially tropical imports, the price has not been increased, but the contrary, with the largely increased consumption.

In a few words, the extension of the Demand, on the one hand, arising from the profitable employment of the population, combined with the certainty and simplicity of the rates of the Tariff, has exercised its full force in stimulating the Supply; and hence the accommodation of the quantity of commodities produced on the one side, to the num-

ber of buyers on the other, has been reduced to its purely mercantile, and therefore to its natural and wholesome level.

This conclusion may be forcibly illustrated by a statement of the Increase of Quantity which has taken place in a few of the most important Articles, comparing the three years 1853, 1840, and 1831.

QUANTITIES of FIVE LEADING COMMODITIES IMPORTED into the UNITED KINGDOM in the YEARS 1853, 1840, *and* 1831; *with the AVERAGE PRICES of each in BOND.*

ARTICLES.	1853.		1840.		1831.	
	Imported.	Average Price in Bond.	Imported.	Average Price in Bond.	Imported.	Average Price in Bond.
	Quantity.	*s. d.*	Quantity.	*s. d.*	Quantity.	*s. d.*
Sugar *cwts.*	7,284,	24/	4,035,	45/	5,366,	25/
Tea - *lbs.*	70,735,	1/	28,021,	2/	31,648,	2/9
Coffee - „	55,634,	60/	43,279,	90/	43,007,	70/
Currants *cwts.*	267,	–	221,	–	212,	–
Sheep's wool } *lbs.*	117,248,	1/6	49,436,	2/6	31,652,	2/9

NOTE.—The three figures at *unit* end are omitted.—In the case of Coffee, the *quantity* is given in *lbs.*, and the *price* in *cwts.*

The attention can hardly fail to be arrested by the extraordinary *increase* of the Quantities, and the fall of Price, of these five articles, between the years 1840 and 1853; and of the *diminution* of the Quantities, and the rise of Price (except in two cases), between 1831 and 1840. Now, between these two last-named years (1831 to 1840), the Population of the United Kingdom was increased by 2¾ millions (24·3 to 27·0 millions) of persons. But between 1840 and 1853, allowing for Emigration and the Irish Famine, the population increased but slightly.*

* A very curious speculation might be founded on a supposition, to the effect, that in 1816, instead of repealing the 10 per

Down to 1841, however, the high tariff duties, and the Colonial Monopolies, were rigidly maintained; and we see the consequence in the preceding statement. An increasing Population was furnished, year by year, with a diminishing quantity of Sugar, Tea, and Coffee; and of course there was a great increase of price.

The effects were injurious in a twofold way; for not only was employment restricted by the limitation of the export trade; but the wages of that employment were diminished by the dearness of the articles of food occasioned by the monopolies. We ought not to feel any surprise that, under such a state of things, there was distress and discontent.

After 1840, the picture is entirely changed. We then left the trade of the country to pursue its own career; and we see the issue in an augmentation of supply almost indefinite, and in fall of price of the most striking character. To a population almost stationary, we have given profitable employment; and we have added a large per-centage to the real value of the wages paid for that employment. The portions of individual income, released by fall of price from the purchase of sugar, coffee, tea, and provisions, have been expended in other commodities; and hence has arisen the steadiness of the general trade of the last few years — a steadiness resting on the solid basis of a *bonâ fide*, effective, and constant demand, on the one hand, stimulating an equally legitimate supply on the other.

cent. Income Tax, a similar amount of Revenue had been remitted in Excise Duties. The effects of such a remission on the industry of the country at that time, could have been little short of marvellous.

SECTION 15.

The Effects of the Free Trade Policy considered as a Measure of Finance.

But not only has the application of Free Trade Reforms been perfectly successful, when tried by the higher and larger tests of their effect upon the Trade and general condition of the country, but they have been as strikingly successful as mere measures of Finance.

The plea of the necessities of the Revenue, is a plea which, in England, can never be urged to an inattentive audience. We are all sensible that the calls upon the Exchequer must be fully provided for. But between a Financial Policy which contents itself with a hard and narrow application of the canons of prudence; and a line of procedure which looks abroad wisely and carefully, not only for the means of maintaining a sufficiency of Revenue, but for the means of obtaining that revenue in a manner the least burdensome to the country, there is a great difference.

As a general result, the first course was pursued till the period of the great change in 1841. I say as a general result; for I have already shown that I am fully sensible of the importance of the relaxations which occurred at various dates between 1820 and 1840. Still the general fact does remain, that, prior to 1841, we were content to look on, year by year, and see the Customs and Excise remain almost stationary, notwithstanding the increase of population and the opportunities for larger trade.

We then changed our policy. We set ourselves vigorously to work to adjust the mode of raising taxes to the peculiar constitution of the industrial system upon which they fell; and what has been the result it will be instructive and salutary to as-

certain; and we may best ascertain this by exhibiting, in outline, the component branches of the Gross Revenue and the Gross Expenditure at seven dates from 1820 to 1853. For example:—

UNITED KINGDOM.—*STATEMENT of GROSS REVENUE (Drawbacks and Repayments deducted), and of GROSS EXPENDITURE (including Cost of collecting the Revenue) at SEVEN PERIODS*, 1820–53.

(I.) GROSS REVENUE OF UNITED KINGDOM.

Year.	Customs.	Excise.	Stamps.	Land and Assessed Taxes.	Income and Property Tax.	Post Office.	Miscellaneous.	Total Gross Revenue.
	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.
1820	22,1	19,4	6,8	8,0	–	2,1	0,7	59,1
1827	23,2	16,7	7,0	5,0	–	2,2	0,6	54,7
1836	23,0	15,7	7,3	3,9	–	2,3	0,5	52,7
1840	23,3	14,8	7,3	4,1	–	1,3	0,5	51,3
1844	24,1	14,4	7,3	4,2	5,4	1,7	0,6	57,7
1851	22,2	15,4	6,5	3,8	5,4	2,4	0,6	56,3
1853	22,5	16,3	7,1	3,3	5,7	2,6	0,6	58,1

(II.) GROSS EXPENDITURE OF UNITED KINGDOM.

Year.	Expenses of collecting Revenue.	Funded and Unfunded Debt.	Defence.				All other Expenditure.	Total Expenditure.
			Army.	Navy.	Ordnance.	Total Defence.		
	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.	£ Mlns.
1820	5,5	31,0	9,0	6,4	1,1	16,5	5,8	58,8
1827	5,3	29,4	7,9	5,9	1,9	15,7	5,9	56,3
1836	4,2	29,2	6,5	4,2	1,4	12,1	5,2	50,8
1840	4,3	29,4	6,9	5,6	1,6	14,1	5,7	53,4
1844	4,4	30,5	6,2	5,8	1,9	14,0	7,1	55,1
1851	4,5	28,0	6,5	5,8	2,2	14,5	7,0	54,0
1853	4,6	27,8	6,7	6,6	2,6	15,9	7,4	55,7

NOTE.—The materials for the earlier years of this statement have been chiefly obtained from Parl. Pr. 361/45 and 260/47. The later figures are from the Finance Accounts. The five figures at the *unit* end are omitted; thus, 22,1, is 22,100,000*l*.

In connection with this exhibition of the Revenue and Expenditure, taken as a whole, let us see what has been the effect in detail when a comparison is made between the amount of Revenue yielded by important Articles, and under leading heads, in 1840, the last year of the old system, and 1853, the first year of the latest great change, namely, that effected by Mr. Gladstone:—

REVENUE (UNITED KINGDOM). — 1853 *compared with* 1840. — *GROSS RECEIPT under the principal Heads of* CUSTOMS, EXCISE, STAMPS, *and* TAXES, *with the* RATES *of* DUTY *in force at the two Periods.*

CUSTOMS.				
Articles.	1853.		1840.	
	£ Mlns.	s. d.	£ Mlns.	s. d.
Tea - -	5,68	2/2 ℔ lb.	3,47	2/1 ℔ lb.
Tobacco -	4,75	3/1 ℔ lb.	3,59	3/ ℔ lb.
Sugar -	4,27	11/ ℔ cwt.	4,46	24/ ℔ cwt.
Spirits -	2,69	15/ ℔ gal.	2,41	22/6 ℔ gal.
Wine -	2,03	5/6 ℔ gal.	1,80	5/6 ℔ gal.
Coffee -	,46	-/3 ℔ lb.	,92	-/6, -/9, 1/ ℔ lb.
Timber -	,58	7/6 &c.	1,64	42/ &c.
Corn & Meal	,53	1/ ℔ qr.	,17	various
	21,01		18,46	
All others -	1,72		4,84	
	22,73		23,30	

EXCISE.				
Articles.	1853.		1840.	
	£ Mlns.	s. d.	£ Mlns.	s. d.
Spirits - -	7,04	7/10 ℔ gal.	5,21	7/10 ℔ gal.
Malt - -	5,70	2/9 ℔ bush.	5,59	2/9 ℔ bush.
Paper - -	1,15	-/1½ ℔ lb.	,63	-/1½ ℔ lb.
Licences -	1,24	various.	1,06	various.
Hops - -	,45	-/2 ℔ lb.	,6	-/2 ℔ lb.
Railways and Coaches	,58	5 ℔ ct.		
Post Horses -	,13	-/1½ ℔ mile.	,21	various
	16,29		12,76	
Glass (rep. '45) - -		- -	,96	3 ℔ ct.
Bricks (rep. '50) - -		- -	,52	5/10 ℔ 1000.
Auctions (rep '45)		- -	,32	10 ℔ ct.
Soap (rep. '53) - -		- -	1,09	-/1½ ℔ lb.
All others -	,81	- -	,03	
	17,10		15,68	

STAMPS.				
Articles.	1853.		1840.	
	£ Mlns.	s. d.	£ Mlns.	s. d.
Deeds -	1,43	various.	1,71	various.
Probates -	1,16	„	,90	„
Legacies -	1,38	„	1,20	„
Fire Insurance	1,27	3/ per cent.	,99	3/ per cent.
Bills of Exchange -	,61	various.	,65	various.
Newspapers	,42	-/1	,24	-/1
Advertisements -	,15	1/6	,18	1/6
Receipts -	,21	various.	,17	various.
	6,65		6,00	
Railways & Coaches	- -		,48	various.
All others -	,73		,81	
	7,38		7,29	

TAXES.				
Articles.	1853.		1840.	
	£ Mlns.	s. d.	£ Mlns.	s. d.
Land Tax -	1,15		1,18	
Inhabited Houses	,69	-/6 in £.		
Servants -	,21	24/ &c	,21	24/ &c.
Carriages -	,39	65/ 120/ &c.	,48	65/ 120/ &c.
Horses for use	,36	29/ &c.	,41	29/ &c.
Dogs - -	,16	8/ each.	,17	8/ each.
Game Duty -	,12	73/6	,16	73/6 &c.
Window Duties (rep. 1851) -	- -	- -	1,40	various.
	3,08		4,01	
All others -	,25		,14	
	3,33		4,15	

The four figures at the *unit* end are omitted. Thus, 73 represents 730,000*l.*

NOTE.—In stating the rates of Duty, no more has been attempted than an indication of some leading rate. It will be readily understood, that the length and intricacy of the scales of rates admitted of no other treatment in a case like the present. The Duties on Railways and Stage Coaches were transferred from the Stamps to the Excise in 1847. It was part of Mr. Gladstone's Budget, in 1853, to give up the Advertisement Duty, and to reduce the Receipt Stamps to an uniform rate of 1*d.* In 1854, he greatly reduced and simplified the Duties on Inland Bills of Exchange, but extended the Duties to Foreign Bills of Exchange. In 1855, Sir George Lewis gave up the 1*d.* Stamp Duty on Newspapers. The Window Duty was repealed in 1851, and the House Duty substituted for it. The old Inhabited House Duty, yielding 1,200,000*l.*, was given up by Lord Althorp, in 1834. The Stamp Duties were materially reduced by Sir Charles Wood, in 1850.

Nothing can be more plainly shown, on the face of these two statements, than the success, as a mere policy of Finance, of the Free Trade Reforms.

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Articles.	1853.		1840.	
	£ Mlns.	s. d.	£ Mlns.	s. d.
Spirits - -	7,04	7/10 ℔ gal.	5,21	7/10 ℔ gal.
Malt - -	5,70	2/9 ℔ bush.	5,59	2/9 ℔ bush.
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duction of duties on articles previously over taxed was much more than compensated by an increase of revenue on articles upon which there were good reasons for making no reduction. Upon this ground we can understand how it happened that Tea and Tobacco, in 1853, yielded (even at undiminished high rates) 3½ Millions more revenue than in 1840, and that Spirits and Malt exhibited a similar increase of 2 Millions.

The problem, therefore, has become, not merely to raise, from year to year, a sufficient revenue, but to raise it by the frequent application of well considered measures for shifting and modifying the pressure of taxes on those parts of the system where they act as pernicious burdens.*

It is quite true that the magnitude of the Debt renders it constantly incumbent upon us to provide at least some annual surplus towards its reduction;

* A remarkable instance of the vast results which may flow from the removal of a duty which interferes with the process of production is furnished by the Brick Duty. In a paper on Brickmaking, read at the Society of Arts on the 4th June, 1856, and for which a medal was awarded, Mr. Chamberlain, a practical engineer, said, that the removal in 1850 of the Excise Duty on Bricks had entirely changed the character of the whole of the Brick Manufacture. So long as the Excise Duty was in force, the regulations of the officers charged with its collection prevented all progress. But now machinery was being largely applied, and the whole aspect of the manufacture was altered. Mr. Chamberlain estimates that at present about 1800 millions of Bricks are made yearly in the United Kingdom; that of this quantity London and Manchester each produce 130 millions; that, taking the weight of the Bricks at 3 tons per 1000, the total weight made is 5½ millions of tons; and the total amount of capital employed in the Brickmaking Trade upwards of 2 millions sterling. Mr. Chamberlain described certain mechanical inventions in course of successful application to Brickmaking, the effect of which would be to produce superior bricks at one half the cost of the present inferior hand-made bricks. The employment, he said, of 400 such machines would produce all the Bricks required in a year in the whole country, and would save 240,000*l.* a year in labour.

but if any result is clear in the financial experience of the last fifteen years, it is the result, — that the most efficacious Sinking Fund that can be established, is the release of the Industry and Skill of the country, as rapidly as possible, from the pressure of every fiscal burden which operates as a positive hinderance and oppression.

Our strength and progress, in a few words, consist far more in augmenting the ability of the country to bear the burden of the Debt, than in attempting to diminish the magnitude of the Debt by retaining taxes which prevent accessions to our ability; and the more rapidly we arrive at an adjustment of taxation so perfect and equitable that, for all practical purposes, it may be regarded (considering its necessary magnitude) as imposing no oppressive burdens on the development of Skill and Enterprise, the more rapidly we shall arrive at that point where we may, with most advantage and safety, make the Reduction of the Debt our first and greatest concern; but, till then, few inferences, from experience, seem to be plainer than this, namely, That, constantly observing the line of prudence as regards a full provision for all our engagements, our first duty and our best policy is to remove Fiscal Oppressions and Inequalities.

SECTION 16.

The Necessity and the Means of further Fiscal Reforms.

In truth, the operation of Free Trade principles themselves places us under an increasing necessity to follow the course pointed out in the last sec-

tion. We can only maintain our position by constant enterprise and vigilance in the adoption of every improvement.

Of this fact there are significant proofs in the Reports, presented by several British Chambers of Commerce, of the results of the Paris Exhibition of 1855.

As regards the Linen Manufacture, for example, the Belfast Chamber of Commerce officially report as follows:—

"It is our duty to state, for the information of the Chamber of Commerce, that great efforts are making by Germany and Belgium to extend their export Linen Trade. We have already said that they are imitating our finish and quality: they are, also, encouraging intelligent persons from this neighbourhood to settle in both countries, to instruct them in the various processes of spinning, weaving, and bleaching; and are, in many instances, introducing the power-loom to cheapen production and improve quality.

"A general opinion appears to prevail, that as the Power-Loom gave a new impetus to the Cotton Trade, a similar effect will be produced when it is employed in the manufacture of Linen. It will require our manufacturers, therefore, to see that our continental neighbours do not get before them in the march of improvement; and we would recommend their adoption of every new principle of production that ensures economy and despatch, and so, by progressive advancement, maintain the advantageous position they now possess." (*Reports*, p. 112.)

The Huddersfield Chamber of Commerce bear similar testimony, extending, however, their inferences beyond the scope of any single branch of manufacture, and urging that, throughout the whole of our industry, there is an increasing necessity for getting rid at once of every species of hinderance. They conclude an elaborate report as follows:—

"After carefully reviewing the whole subject, and weighing with impartiality and candour the information which has been obtained, the Council have no reason to fear but that British capital, industry, and enterprise, may still maintain for us the

pre-eminence which we have hitherto enjoyed for producing goods adapted to the varied wants of the world.

"At the same time, there is ample proof afforded that the nations of the Continent are quite alive to the importance of encouraging manufacturing industry in all its branches, and that they immediately avail themselves of every improvement in machinery, either in use amongst us, or invented by themselves, for cheapening their productions. The disparity which existed between these nations and ourselves some thirty years ago is, it must be admitted, now considerably lessened, and our present most important advantage over them, in the transit of raw material to the manufacturers, and manufactured goods to the various markets, is daily becoming less appreciable by the increase of Continental railway communication, and the extension of their commercial shipping.

"The Council wish, therefore, to impress upon our manufacturers the absolute necesssity of making every effort, and putting forth their best energies, to meet the growing competition which is thus offered to them, and not allow themselves to be lulled into a state of inactivity or false security, by any mistaken ideas of their own inherent superiority." (*Reports*, p. 139.)

Statements like these may well admonish us not to rest satisfied with the belief that we have no more improvements to make, and no more difficulties to overcome, in our fiscal system.

No doubt the measures of Mr. Gladstone in 1853 were a very large instalment of reform. His establishment of a new revenue of two millions per annum from the Succession Duties, was a noble provision for future reductions of taxes on industry; and his application, in 1853 and 1854, of principles of simplification and of singular ingenuity to the Stamp Duties on Receipts and Bills of Exchange, is an example to be imitated;—and its entire success will ensure its imitation. It would not be difficult to find means of adding considerably to the revenue, by a careful application of the plan of small stamp duties to classes of documents where the existence of a stamp duty of small amount would be free from evil consequences. It is highly probable that a quarter or a third of a million of revenue per annum might be obtained

in this form; and it will probably appear that that sum might be raised to quite a million sterling by the introduction of other duties free from any valid objection.

At the end of 1859, the expiration of the Long Annuities will diminish the charge of the Debt by nearly 2¼ Millions; and in 1867, the expiration of the Dead Weight Payment will bring a further relief of 585,000*l.* But on the other hand, the Income Tax, even of 3 per cent. (yielding 5½ millions), must be regarded as a special resource to be given up within a very few years. Against this reduction of income, may be set, to some extent, the increase of revenue which, under ordinary circumstances of prosperity, is sure to accrue under the Customs and Excise.

It is agreed on all hands, that the tax which urgently calls for the earliest repeal, is the Excise Duty on Paper, yielding net about three fourths of a million. With the repeal of this tax, the Excise would have ceased to interfere with any important kind of manufacture. The tax on Paper is so great a hinderance, that to remove it would justify a considerable effort.

In the Customs, the time must soon come when Timber and Tallow must be placed in the free list of raw materials; and such articles of food as Butter, Cheese, Eggs, and Fruits, also placed in the free list, which already wisely includes all kinds of animals and of animal food. The duties of 15 per cent. on Silk Manufactures require remitting; so that, in accordance with the prayer of the Manchester Silk Manufacturers, the Silk Trade of this country may stand fairly face to face with foreign competition. The Duties on Tobacco and Wine, especially the latter, require adjustment on revenue grounds.

Among the duties of Excise and Taxes, there are several which are highly objectionable, as inter-

ferences with the progress of particular kinds of trade, or as operating in diminishing the field for employment. The tax on men Servants is open to this last objection. The duty on Post Horses, and on Horses kept for private use, interferes injuriously with the breeding of horses, and is besides an assessment annoying and inquisitorial in its character. The various Excise Duties on Licences are more or less hinderances to trade. They are besides extremely partial; for there is no more reason why a man who sells pepper should pay a licence fee, than a man who sells shoes. The duty on Carriages keeps back the trade of coach-making, and all the numerous arts which are connected with it. And lastly, the whole of the Stamp Duties, especially the Stamp Duties on Probates, require amendment and consolidation.

It may be conceded, that none of these Revenue Reforms, except the Paper Duty, are of immediate and urgent necessity. But we must guard ourselves against the belief that we may indefinitely disregard them. We are competitors in a race, in which the smallest inequalities of pressure may give an advantage or a victory to rivals, who, with greater skill or greater prudence, have provided for a more unfettered command of their natural aptitude for the contest.

No Free Trade Financier will imperil the public credit by rash and weak experiments; but while he regards Caution as his first duty, he will also regard Improvement as his first maxim.

SECTION 17.

Progress of Free Trade in Foreign Countries.— Countries which have adopted Free Trade as a Principle *of their Commercial Code.*

We may now consider the advancement which has been made by Free Trade in other parts of the world.

The progress of Free Trade in Foreign Countries will be best understood, by classifying into three groups, the States which have more or less admitted into their legislations, changes resting solely for their justification on the truth of the free trade doctrines; or changes intended to remove previous impediments to trade, but not professedly founded on principles of Free Trade.

In the first group I will include those States which have more or less remodelled their Tariffs in reliance on free trade views; and the list will include Sardinia, Switzerland, Holland, and Portugal.

The second group will include those States which have changed their Tariffs, to a greater or less extent, for purposes of political or territorial convenience — but all tending to afford greater facilities of intercourse; and the list will include the Zollverein, Austria, Belgium, Spain, Russia, Denmark, Norway and Sweden.

The third group will include only the exceptional case of the United States; for there the Tariff has sprung from a conflict and mixture of causes, which must be described apart from any narrative which includes other countries.

Referring, then, to the first group of countries :—

The campaign in Italy of 1848 and '49, against the Austrians, involved Sardinia in great political and financial difficulties; but on the accession of Victor Emmanuel, and the ascendancy in his councils of the Comte de Cavour, Sardinia entered upon a new and bold career both of external policy and internal administration. Even so early as 1850, and in the face of a serious defeat, commercial treaties were negotiated with several countries, on a large basis of liberality; and the law of the 6th July of that year in effect abolished all restrictions on navigation within the Sardinian frontiers. In 1851, the law of the 14th July reduced and simplified the entire Tariff, and established uniform rates for the whole kingdom. Further ameliorations were accomplished by the law of the 11th July, 1852; and at length, the law of July, 1853, extended to all the products of agriculture the low duties or the free entry applied in 1851 to various fabrics.

In addressing the Parliament of 1853, the King of Sardinia indicated the perfect accordance of views between himself and the Chamber, by observing in the course of a remarkable address: "After "having achieved the edifice of a restored finance, "the Parliament will march with ardour in the "path of economical reforms; henceforth assured "by the lights of an experience not doubtful, and "in applying to the products of the soil the fruitful "principles of Free Trade."

Previous to the new constitution obtained by Switzerland in 1848, as the fruits of the victory of the Diet over the Sonderbund, the Cantons were harrassed by the multitude of federal and local tolls and regulations, partly arising out of the last general Concordat of 1821, and partly arising out of the mutual jealousies of the Cantons. The law of the 30th June, 1849, established, from the 1st February following, an uniform Tariff of import,

export, and transit duties, and adopted, as the basis of these duties, the principle of low rates, and the avoidance of all prohibitions. In January, 1852, the operation of this Tariff was further simplified by the adoption of the franc as the monetary unit of the whole Federation.

In Holland, the decided tendency, from 1832 to 1845, was to fence round, with high protecting duties, both the navigation and the industry of the country; and, in the latter year, several protective laws were adopted. But in 1847, the Dutch Sliding Scale of Corn Laws met with the summary fate which, in the preceding year, had at length overtaken the similar scale of duties in England. In 1850, the Differential Duties directed against foreign ships, were abolished in Holland; and in September, 1854, the Dutch Tariff was subjected to a large and liberal reform.

In Portugal, not the least of the large reforms accomplished by the dictatorial administration of the Duc de Saldhana, was the remodelling of the Tariff in pursuance of the report of the Commission appointed in May, 1852. The new Tariff, freed from prohibitions, and confining all its rates to a moderate per-centage, came into force on 31st December, 1852. A Customs Commission had been appointed in 1846, and its report appeared in 1850. No immediate results flowed from that publication, but it effectually prepared the way for the vigorous reform which was accomplished two years later.

SECTION 18.

Foreign Countries in which hitherto Free Trade Measures have been adopted mainly on collateral grounds. — The special Case of the Zollverein Changes of 1850–53.

We pass now to the second group of countries, — that is, countries which have so modified their Tariffs as to give greater facilities to trade, but have done so on political rather than on sound economical grounds.

First amongst these is the great Customs Confederation of German States, with Prussia at their head, known since 1842 as the Zollverein; and closely associated with the Zollverein, in the fiscal changes and political objects of the last seven years, has been Austria.

The tendencies of the Zollverein have been markedly Protectionist from its earliest origin. It has been the belief of a large portion of the Rhenish and Central states composing it, that high duties upon English fabrics would raise up in Germany a great manufacture of cottons, linens, and hardware; and if it had not been for the strenuous opposition of the eastern provinces of Prussia, which, as bordering on the Baltic, and as being agricultural, have a direct interest in a large English trade, it is probable that even the hostile Tariff of 1842 would have become almost prohibitory in a few years.

In 1850 the period had arrived for a formal reconsideration, and renewal if expedient, of the Zollverein compact.

In pursuance of resolutions adopted at a conference, at Berlin, of Prussian Delegates, the Cabi-

net of Berlin submitted, early in 1850, to the Zollverein Congress, at Cassel, a series of propositions as the bases of a renewed compact. The principles of these propositions were two, namely, first, the reduction of duties on raw materials; and second, the augmentation of duties on yarns and woven goods. Prussia, at the same time, opened a negotiation with Hanover, as the head of the small Customs Confederation of the Steuerverein, or of such of the German States as possessed immediate access to the sea-board of the German Ocean, the object of the negotiation being the amalgamation of the Steuerverein with the large association of the inland States.

The Congress was removed from Cassel to Wiesbaden; and at the latter place, in July, 1851, the propositions of Prussia, so far as regarded the reduction of duties on raw materials, were adopted. The proposed augmentation of duties on manufactures was abandoned, to secure the adhesion of Hanover. And accordingly, on the 9th September, 1851, a treaty was concluded with Hanover, as representing the Steuerverein, to the effect that from 1st January, 1854, the States on that day composing the two Confederations, should pass under one Customs Administration.

In the meantime, Austria was engaged in a multitude of schemes for repairing the mischiefs which had befallen its trade and finance in consequence of the events of 1848.

It is probable that the only clear principle in the minds of those who framed the Austrian Tariff of 1822, and even that of 1838, was the principle of prohibiting every commodity which seemed likely to interfere with Austrian industry. In 1849, M. Bruck, the Minister of Commerce at Vienna, set on foot a commission, charged to reform the Tariff on the principle of removing prohibitions, but rigidly retaining protection. In the

following year the old line of distinct Customs frontier between Hungary and the rest of the Empire was abolished; and a serious plan was formed for uniting Austria with the Zollverein. With this view a Congress of Austrian Delegates, from all branches of Industry, was held at Vienna in October, 1851; and the Tariff considered and confirmed by these authorities, was promulgated with great form on the 6th November (1851), as the fitting basis of the proposed German Union.

The schemes thus launched agitated Germany during 1852; but at length, on the 9th February, 1853, a Treaty was concluded between Austria and Prussia, which may be regarded as the first solid step towards the Union, under a single Tariff, of a congeries of States inhabited by seventy millions of people.

The first article of the Treaty annuls all prohibitions on both sides, both as against each other and against the foreigner; and the whole of the stipulations are directed to break down hinderances to traffic, not only over the *whole* of Germany, but also between Germany and foreign States. The arrangement is to be in force for twelve years from 1st January, 1854, that is to the 31st December, 1865; but in 1860 a Central Congress is to consider the modifications which may then be required.

In this manner has been accomplished a reform in Central Europe, almost equivalent in its effects to a Free Trade measure of the most absolute character. So long as the multitude of German Principalities maintained local cordons, any great extension of trade was nearly impossible. But when a general tariff has to be settled by the free suffrage of numerous allied powers, actuated by a wide diversity of motives, it is exceedingly improbable that any measures can be maintained of an extreme or oppressive character.

The agricultural States will not tax themselves to foster Rhenish manufactures; and the Rhenish populations, enabled to consume foreign goods in consequence of the moderate duties enforced by the Baltic provinces, will hardly fail to appreciate the difference in quality and price, between the imported and the native article.

In Belgium, the Ministry of M. Rogier, on its accession to power in 1847, formally announced its intention to reverse, or at all events to arrest, the anti-free-trade policy, which up to that time had prevailed. In 1849, large ameliorations of the tariff were carried through. In 1850, the Corn Laws were modified; and in 1852 the system of differential duties was moderated.

As regards Spain, the first breach in its outrageous Tariff was made by General Narvaez in July, 1849, by admitting, in spite of Catalonian remonstrances, cotton yarn and cloth at 35 per cent. on the value. In May 1853, a bolder step was taken, by reducing the duties more or less on several hundreds of articles, — many of them certainly of no great importance.

The alterations of October, 1850, in the Russian Tariff, and the abolition of the separate Polish frontier, have effectually modified the hostile character of the former code.

In Denmark, Sweden, and Norway, initiative steps have been taken in favour of lower duties.

I have now only to refer to the Tariff of the United States.

The Tariff now in force in the Union is the measure of 1846, carried by the Democratic party, represented in the Cabinet by Mr. Polk as President, and Mr. Walker as Secretary of the Treasury.

The Federal Tariff of the United States has to fulfil conditions of so opposite a character, as to be scarcely compatible with each other. In the

first place, it must produce as much, but not more, revenue than is sufficient for the wants of the Federal government; in the second, it must be acceptable to the Cotton Planters of the South, who raise raw material only; in the third, it must not interfere with the Agricultural exports of the West; and, lastly, it must not too violently outrage the Protectionist dispositions of the New England States.

To these complexities must be added another, namely, that the two great parties of the Union, the Democrats and the Whigs, happen to be as much distinguished for their antagonistic views on the question of the Tariff, as on the questions of the suffrage restrictions or the presidency.

The Tariff of 1846 was a compromise. Its rates vary from 5 to 100 per cent.; but, as a whole, it is far more liberal than the Whig Tariff of 1842. As a revenue measure its success has been so great, that the difficulty has consisted rather in the constant excess, than in any occasional deficiency, of the Federal Revenue. Since 1846, the progress of the newer States has been so rapid, that at present the probabilities seem to point much more to a further reduction, than to any augmentation of the rates of the Tariff.

SECTION 19.

An Outline of the Principles which regulated the Tariff of France prior to the Coup d'État of December, 1851.

The principles adopted in Colbert's tariffs of 1664 and 1667, appear to have been four, namely,

(1.) to avoid absolute prohibitions against any kind of Imports; (2.) to reduce considerably the previously existing duties on the import of Raw Materials; (3.) to place duties of such amount on imported manufactured articles, as it was conceived would best Protect the corresponding classes of manufacturers existing in France; and (4.) to diminish materially all duties on most Exports of French produce and manufacture.

But it was also a conspicuous feature of Colbert's plan, to place very heavy duties on the export of provisions, particularly of corn; and to maintain that complex system of internal lines of octroi as regarded the transit of corn from one part of France to another, which survived to the Revolution, and was not the least powerful of its preparatory causes. A large proportion of Colbert's import duties were not more than 5 per cent. *ad valorem.*

The gravest defect of Colbert's Tariff, was its non-application to the whole of France.

In point of fact, it was enforced in its uniformity in little more than half the Provinces of the Kingdom. In the other half of France, a variety of codes and formularies perpetuated fiscal confusion and tyranny. Colbert's own views seem to have pointed towards a general system; but special interests were too powerful to be put down: and great as was his reputation, and the favour he enjoyed with Louis XIV., he had been scarcely three years in his grave, when (8th October, 1686) his fiscal system was marred by the introduction of those prohibitions which he had so carefully avoided.

During the century which elapsed between the death of Colbert and the Revolution, the Tariff underwent numerous changes; but none of them were framed in any comprehensive spirit of amelioration.

In 1790 and 1791, the Constituent Assembly

reconstructed the whole of the fiscal fabric; and the principles adopted were wise and liberal.

In the first place, all internal lines of octroi were obliterated: and what was the grievous burden arising from these varying zones of customs regulation, may be inferred from the circumstance, that the decree of the 30th October, 1790, enumerates and abolishes more than twenty separate systems of assessment. In the second place, it applied a moderate scale of tariff duties to the whole of France. In the third place, it established complete freedom of trade in Corn and Provisions. And lastly, it recognised but a small number of prohibitions.

The Wars of the Revolution and the Empire overthrew nearly the whole of this liberal fiscal code.

The leaders of the Convention preceded Bonaparte in the belief that England could be ruined by proscriptions of its exportable commodities; and the violent and blind decrees of the years I. and V. belong to the same category as the Berlin Decree of 10th November, 1806, and the Milan Decree of the following year (17th December, 1807).

The Restoration did not lead to any mitigation of the French Tariff.

On the contrary, alterations made in December, 1814, set up more prohibitions. In 1822 and 1826 heavy duties were imposed on many articles previously assessed but lightly; and it was at those dates that, seeking to foster a hereditary landed class, the Government committed the folly of again establishing Corn Laws; a measure the more inexcusable, inasmuch as Grain and Provisions had been left free of entry even in the most violent enactments of the previous War.

The Government of Louis Philippe made some attempts to render the Tariff less hostile to foreign trade; but the Chamber of Deputies gave but small

encouragement to the enterprise; and the law of 1836, carried by M. Duchâtel, the Minister of Commerce, was of very limited scope.

In 1841, a proposal was favoured by the French Government for a Customs Union with Belgium; but the Protectionist party inflicted a signal defeat on the promoters of the plan; and again, when, in May, 1847, the Cabinet presented to the Chamber a project of Tariff reform, it was treated with supreme contempt by the Committee appointed to examine it.*

Reviewing the thirty-four years (1814–48) of the Restoration and the Constitutional Monarchy, we may say, with M. Michel Chevalier, that, "except-"ing modifications as regards Raw Cottons, Colo-"nial Produce, and other imports from Tropical "regions, the Tariffs of this period were more "rigorous, more exclusive, more opposed to liberty, "than the Tariffs of the Empire, and were utterly "without excuse."

The Constituent Assembly created by the events of 1848, and the Legislative Assembly of the following year, were as vehemently opposed to Free Trade as their predecessors; and a salutary purpose will be accomplished, if it be borne in mind, that it was a revolutionary Legislature which, in 1850, exercising its influence over the Council-Général de l'Agriculture, des Manufactures, et du Commerce, led to the adoption of a public vote by that body, to the effect that no professors of Political Economy should be tolerated who did not teach Protectionist Doctrines.

Among the last acts of the Assembly, superseded by the Coup d'Etat of December, 1851, was the vote of the preceding September, in rejection of the proposals of M. Sainte-Beuve for Commercial reform.

* It was in reply to one of the Protectionist manifestoes of 1847, that M. Leon Foucher wrote his admirable tract, "Sur la Liberté Commerciale."

It was in reply to these proposals that M. Thiers delivered that extraordinary rhapsody of errors, which, as almost the last public declaration he has had the opportunity of pronouncing from the tribune, will go far to determine his reputation as a statesman. Led on by M. Thiers, the Assembly resorted to the most emphatic mode of signifying its repudiation of M. Sainte-Beuve's doctrine, by voting, 428 against 199, that the proposals should not even be taken into consideration.*

SECTION 20.

The Progress of Free Trade in France since 1851. *— Results of the French Protectionist Policy.*

It is a provision of the political arrangements arising out of the Coup d'Etat of December, 1851, that modifications of the Tariff may be made by simple decree of the Emperor, and, also, that "tous les travaux d'utilité publique entreprises "d'intérêt général" are to be controlled and authorised by his single direction.

In pursuance of these powers, a new Council of Commerce and Manufactures was erected on the 2nd February, 1853; and the Protectionist party immediately raised so loud an alarm of free trade innovations, that an official disclaimer was inserted in the Moniteur.

In September (1853), a commencement was made in those gradual ameliorations of the Tariff,

* The violent speech of M. Thiers was very effectively answered in a series of excellent letters by M. Dollfus, the eminent cotton-spinner of Mulhouse.

which have been since continued from time to time. The duties first attacked were those applicable to Cattle and Provisions. In November (1853), reductions were made on Iron, Steel, Grain, and other articles; and serious reductions in the duties on Cottons were intimated to be in contemplation.

But it would appear that the controversy had already begun to produce salutary effects, for in April (1853) a Declaration was published by nineteen of the largest manufacturers of Alsace, to the effect, that they were in favour "of a commercial "reform based on the *affranchisement*, more or less "complete, of raw materials *qui n'ont pas de si-*"*milaires en France*, and the replacement of ab-"solute prohibition by a system sufficiently pro-"tectionist." The subscribers of the Declaration point out, that these are opinions "essentially mo-"derate, and cannot be confounded with Free Trade "Theories." This caution was hardly necessary; for it is quite clear that in April, 1853, the Alsace manufacturers had been infected with the mildest conceivable form of the Free Trade heresy. Still the Declaration was of value; and in 1854 it was followed by measures still more decisive on the part of several Chambers of Commerce, all tending to countenance the disposition of the Government in favour of Commercial reform.

After the harvest of 1854 all restraints on the importation of Grain were suspended, and partial relaxations of heavy duties continued to be made in the course of 1855.

So slow, however, is the progress of truth against obstinate private interests, that in April, 1856, the Government felt itself compelled to accept from a Committee of the Corps Legislatif a report highly hostile to free trade, and to give effect to that report, so far as to assure the Corps Legislatif that the Emperor will pursue the policy which has dis-

tinguished France since the Peace: "That policy," ran the assurance, "has been firmly protectionist; "prudently progressive. We will not abandon it. "We formally reject the principle of free trade as "incompatible with the independence and security "of a great nation, as inapplicable to France, and "as destructive of our noblest manufactures."

We have now seen something of the pertinacious adherence of France to a Protectionist policy.

Let us now glance at a few of the results; and it would be difficult to imagine a more effective or less partial mode of doing so than through the reports arising out of the Paris Exhibition of last year (1855); an Exhibition organised by France for the purpose of measuring its own progress against the progress of other States.

In the first place, the arrangements for opening the Exhibition on the long-appointed day of 1st May (1855) completely broke down. The opening did not occur till the 15th May, and, even then, was little more than a formality, owing to the extreme incompleteness of the preparations. The supplementary Buildings were not opened till a considerably later period.

The Report by Mr. Thompson on the Industrial Arrangements of the Exhibition contains some statements, which, if put forward on less authority, would be scarcely credible. In referring to one principal cause of delay, namely, the difficulty of placing packages within the building, he says:—

"It is a remarkable fact that there was a total absence of all the usual mechanical appliances in Paris for moving large and heavy packages, — not a single crane being provided for that purpose; consequently, the work of unloading the waggons was of the most laborious description. Moving and lowering heavy weights by hand must of necessity involve considerable risk of damage and great loss of time. * * * * If very heavy, indeed, the packages were unceremoniously thrust from the waggon. Packages of several tons in weight were thus unloaded. The damage done through this cause

was very great. The loss to English exhibitors by breakage of glass alone amounted to several hundred pounds." (*Report*, p. 95.)

Another cause of delay was the impossibility of obtaining at the time agreed on, Glass Cases and Fittings ordered of Paris makers. Great confusion, says Mr. Thompson, arose

"From the failure of the Chief Contracting Carpenter in the construction of the necessary rough counters and partitions, as promised to Exhibitors in Art. 28. of the Regulations. In fact, the last of the partitions was not *commenced until after the 11th May.*"

These passages are not quoted for any censorious purpose; but for the purpose of showing that, on so great an occasion as an Universal Exhibition, and urged on by all the force of a strong central Government, the Industrial organisation existing in France was unable to produce anything better than these clumsy results.

We find the same waste of resources as regards the Protected Manufactures.

Take, for example, the following statement by the Belfast Chamber of Commerce, as regards the Linen Trade of France:—

"The home consumption of Linen in France is, however, very great. Linen Napkins, as well as tablecloths, are used at table by all classes. Linen is generally used for under clothing; and the linen blouse, either dyed or undyed, is the universal outer garment. In consequence of this general use, the Linen Manufacture of France is of great magnitude, being reckoned at 7 yards for each person, or about 250,000,000 of yards per annum. Estimating the value at 1¼ *f.*, or 1*s.* English, per yard, the annual value must be about 312,500,000 *f.*, or 12,500,000*l.* sterling. *It is our opinion, after a careful examination, that the same fabrics could be produced in Ireland and Scotland at 20 per cent. less, on account of the lower price of our linen yarns, which are now excluded from France by prohibitory duties.* * * *

"We have little doubt that the present Exhibition will lead the public mind in France to desire the advantages of a more liberal commercial system. For the article of Linen the

French nation pays, at least, one fifth more than it would do under a moderate system of duties; the loss amounting annually to at least 2½ millions sterling, or 62½ millions of francs. The French Government loses a handsome revenue formerly derived from this source; while the aggregate capital employed in the Flax Spinning trade in France is not *greater than the annual loss sustained by that nation* in keeping up these prohibitory duties." (*Reports*, pp. 110. 113.)

A similar statement is made by the Bradford Chamber of Commerce, as regards the manufacture in France of Merinos.

"The Drawbacks in France," say the Chamber, "upon the great bulk of Merinos exported to this country range from 5½ to 8½ per cent. upon their value; thus barely equalising the disadvantage the French Manufacturer labours under from the duty imposed upon the raw material, which has become perfectly indispensable to his production. This duty must at the same time injure the manufacturer by its tending to raise artificially the price of home-grown wools.

"The Bonus allowed upon the exportation of yarns appears to be more considerable than upon goods, without having given a stimulus to their being used by our manufacturers. The whole system of prohibition of manufactures, of import duties on raw materials, combined with a sliding scale of drawbacks for exports, is greatly in favour of the smuggler and of the dishonest exporter." (*Reports*, p. 129.)

By a singular coincidence, we are able to find the natural sequel of the waste of resources arising from these mis-directed industries of France, stated in the most precise form by a French authority of the highest order, namely, M. L. de Lavergne, in his lectures on English Agriculture, delivered in 1855 before the Institut National Agronomique.

As regards agricultural products, the natural advantages of soil and climate are much greater in France than in Britain. But, comparing average produce of Farms in the two countries, what is the result?

"In France," says M. Lavergne, "the average produce per hectare is 6 hectolitres of wheat, about 5 of rye, and 1 of maize or buck-wheat; collectively, about 11 hectolitres. In

England, 25 hectolitres of wheat (3½ quarters per acre), more than double in quantity, and three times more in saleable value; and Scotland and Ireland are included in this estimate. If the comparison be made with England alone, the results are far more striking. * * * *Taking all products into account, animal and vegetable*, it appears that the *produce of England*, per hectare, nearly doubles *that of France*." — (Paris Edition of 1855.)

It will be said, perhaps, that the backward state of French agriculture is chiefly due to the *morcellement* under the law of equal succession to land. The influence of that law in retarding experimental agriculture on a large scale may be granted. But it must be remembered, that the comparison is made between systems, both, perhaps, equally imperfect.

The evil of the *morcellement* in France has its set-off in England, in yearly tenancies, and the prevalence of mere life interests on the part of immediate owners. There is also in England the vicious system of letting land subject to the preservation of game, and to mischievous courses of culture. In France, on the other hand, there is the magic influence of property operating on the cultivator; and there is the immense advantage of superior soil and climate.

Placing, therefore, the two cases fairly side by side, it is difficult to resist the conclusion, that to the evil influences of a false and artificial system of forcing one kind of industry at the expense of another, — of driving into manufactures the capital that ought to have gone to the land, — and of continually impoverishing the land by the dearness of protected manufactures, — is due, in the largest degree, the failure of the inhabitants of France to draw abundance from its fertile soil, and to exert to the utmost advantage the peculiar inventive skill for which they have been always famous.

SECTION 21.

Summary of Results arising out of the preceding Outline of Free Trade Progress.

In reviewing the evidence now collected relative to the progress and effects of Free Trade, the following conclusions appear to be justified; viz.—

1. That at the end of the great European War in 1815, there existed a state of things in this country in connection with the rates of the Tariff; the nature of the numerous Excise Duties; the predominance of special Class Monopolies; and the utter and overwhelming confusion of nearly all parts of the Commercial Code:—wholly at variance with the wants of a country dependent in a great measure on Foreign Trade; and containing a large and rapidly increasing Operative Class, engaged more or less in manufactories, and subsisting on wages which were exposed to constant competition with improvements in machinery.

2. That during the continuance of the War a multitude of special causes had diverted attention from the magnitude and real nature of the commercial, fiscal, and social evil; but the discussions and the distress of the first few years of Peace made apparent the necessity for an immediate remedy.

3. That the only real and effective remedy

available was the adoption of a Free Trade Policy, —meaning by Free Trade Policy the abandonment of all Class Monopolies; the maintenance of a Tariff for revenue purposes only; the abandonment, as speedily as practicable on revenue grounds, of all Excise and other duties operating as oppressions and hindrances on the progress of Skill and Industry; the reduction into the simplest form, and the smallest compass, of all commercial laws and regulations; and, finally, the adoption by Great Britain of a Policy of this nature, as an independent course, and without waiting for the concurrence of other States.

4. That the discussions which took place about the year 1820, but especially in that year and in the two or three years immediately following it, fully established in the minds of a considerable party, both in and out of Parliament, not only the theoretical soundness of the Free Trade views, but also the pressing necessity which existed for their adoption as the basis of large reforms; and that conspicuous in this party were Lord Liverpool, Mr. Robinson (now Earl of Ripon), Mr. Huskisson, and other members of the then Cabinet.

5. That in the great reforms effected by Mr. Huskisson, as Minister from 1822 to 1826, there was a constant reference to, and dependence upon, the whole of the Free Trade Canon as the basis and justification of the changes which were made; and that if the reforms were not more extensive in their scope, the hindrance consisted solely in the power and opposition of the Monopolist Interests attacked.

6. That it is, therefore, to this First Period of

Free Trade Legislation we are bound in justice to trace the true origin of all subsequent progress.

7. That the effect of Mr. Huskisson's reforms, imperfect as he was compelled to leave them, contributed in no small degree to carry the country through the fifteen years of agitation and difficulty which succeeded their adoption,—fifteen years which, for a variety of special reasons, were not marked by any material advances in the accomplishment of similar changes.

8. That in 1840 the country had again outgrown its Fiscal System, almost as completely as in 1820; and the remedy again required was the removal of impediments which prevented the growth of the Foreign Trade; which raised the price of Corn, and immensely aggravated the evils of defective Seasons; which diminished the real value of Wages, by rendering a large class of imported articles scarce and dear; and, by retaining complicated and vexatious laws, kept back industry and capital from legitimate fields of application.

9. That the first great effort to apply these remedies was Sir Robert Peel's Tariff Act of 1842, founded, to a large extent, on the evidence collected by the Import Duties Committee of 1840. His Sliding Scale Corn Act of the same year was a measure unhappily at variance with the whole of his commercial principles, and was an entire failure.

10. That the most unfortunate refusal of the Tory Party, during the years 1842 to 1845–6, to entertain any proposal for abolishing the Corn Law, compelled the Manufacturing and Middle Classes to extort, by means of the formidable political

agitation of the League, the Fiscal Reform which, on every ground of justice and policy, ought to have been conceded long before.

11. That between the years 1846 and 1853 the crowning measures necessary to give full effect to the principles enunciated in 1820 were accomplished by the final extinction of the Class Interests connected with the West Indies, the Timber and the Shipping Trades; by the establishment of a purely Revenue Tariff; and the introduction of a simple code of Customs Legislation.

12. That as regards Foreign Countries, we are justified by the events which have taken place since 1845 in regarding the adoption of Free Trade in them as a simple question of time. The three great regions where its introduction will produce the largest results are, Central Europe, as represented by the Zollverein; France; and the United States; and every year which is suffered by these countries to elapse, before they place their subjects on the same Commercial Level as ourselves, will add so many successive steps to the interval between us and them, already existing in favour of this country.

13. That the general results of Free Trade in the United Kingdom may be regarded as fourfold; namely,

(1.) We have learnt from the experience of 1841-5 *not* to render our own Commercial Reforms in any way dependent on the fears, or wishes, or diplomacy of other States; but, on the contrary, applying the doctrines of the Petition of 1820, to act at once upon the principle that every reduction of duties, which admits a larger quantity of the

produce of foreign countries, must, at least, be paid for by commodities which it is profitable to this country to export, whatever may be the degree of folly or wisdom displayed in the tariffs of the foreign countries to which they are sent. It is certain that we obtain the benefit of a larger trade; and it is equally certain, that hostile high duties will injure chiefly the revenue and the subjects of the foreign state.

(2.) We have learnt that in a country like our own of circumscribed area, with a manufacturing population, and large external trade, political liberty is not sufficient to preserve society from danger or Retrogression; but that quite as vital to the general interests is a perfect Freedom of Industry, and the enforcement of laws which scrupulously exclude preference or partiality for any Interest or Class, — as well in the settlement of Tariffs, as in the declaration of Rights and the adjustment of Taxes.

(3.) We have learnt to understand, with some approach to distinctness, the immense resources which may be made available, by so framing our legislation as to bring within reach of the great body of the Population articles of comparative luxury and comfort; and, as a question of Finance, we can now deal confidently with schemes which, on sufficient data, propose to strengthen the revenue by diminishing the taxes.

(4.) And, lastly, we have seen extension of markets, and a vast increase of demand, take place concurrently with a gradual Diminution in the Cost of imported commodities; with a range of Prices

so free from extreme and artificial Fluctuations as to tend rapidly to a level, interrupted only by such variations as arise wholly from mercantile or natural causes.

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PART V.

ON THE MANAGEMENT AND POLICY OF THE BANK OF ENGLAND DURING THE PERIOD 1844-56;—WITH SPECIAL REFERENCE TO THE OPERATION OF THE BANK CHARTER ACT OF 1844.

SECTION 1.

OF the Commercial Distress which prevailed in 1847;—of the Causes of it;—of the manner in which I consider that it was aggravated by the Act of 1844;—and of the issue of the Suspending Letter from the Treasury of the 25th October (1847)—I treated at some length in the Fourth Volume of the History of Prices.

But when that Volume was published (in February, 1848) I had not the benefit of the information afforded by the Reports of the two Committees of the Lords and Commons, which were appointed in December, 1847, and pursued their inquiry till late in the ensuing summer.

During the period which has elapsed since 1847, my opinion of the impolicy and mischievous influence of the measure of 1844 has undergone no change: unless it be that of having acquired additional force; and I have always felt persuaded that, in the event of any recurrence of a pressure on the money market, or of a derangement of Commercial Credit, there would be a renewed and searching investigation of the grounds assigned for the existing law.

Such a pressure occurred in the closing months of 1855, and was marked by considerable impatience in the public mind for the institution of a parliamentary inquiry into the operation of those novel

restrictions imposed on the Bank of England by its last Charter.

I was led to avail myself of the attention thus excited, to publish, in a separate form*, early in 1856, that Fifth division of the present Volumes now to be introduced. I explained that it was a portion only of the larger work then in preparation; and I justified the employment of the form of a special pamphlet, by urging the very practical consideration, that, to be of "immediate "use, a treatise on the Currency must present "itself at a moment when, compelled by pressure "or necessity, the Public have become attentive "students of a subject not to be mastered without "an effort, and presenting but few attractions in "unexcited seasons."

I now incorporate, in their proper place, the Chapters which have been before the public for a year.

I have revised the pages, and I have continued, to the present time, the narrative and the discussions which, as first printed, terminated with the year 1855.

Substantially, I have nothing to alter. My attention has naturally been directed to the further events which have occurred during 1856, in connection with the management of the Bank of England, and the operation of the Act of 1844. But my opinion of the impolicy of that measure — of the extreme probability of the occurrence, at no distant period, of the necessity for abrogating, or largely modifying it; — and of the desirableness of seeking for a better system, not in the adoption of novel expedients of State Banks, or Divided Departments, but in a prudent revision of the present machinery of the Bank of England — remains unshaken and unchanged.

* On the Bank Charter Act of 1844; its Principles and Operation: with suggestions for an improved administration of the Bank of England. By Thomas Tooke. Longmans, 1856; pp. 179. The Preface is dated 17th December, 1855.

SECTION 2.

The Reports from the two Parliamentary Committees of Inquiry (Lords and Commons) of 1848.

The Reports from the Committee of the Lords and the Committee of the Commons on the Commercial Distress of 1847, published at the close of the Session of 1848, and founded on the protracted inquiry and examination of Witnesses, which had been in progress for more than six months, relative, in an especial manner, to the Act of 1844, present themselves naturally and obviously as the first topic for consideration.*

Between the two Reports there is an extraordinary difference. The Evidence taken by each Committee is, as nearly as may be, the same; but widely different is the manner in which the evidence is treated, and greatly at variance are the conclusions drawn from it by the framers of the respective Reports.

The Report of the Lords' Committee is a luminous and admirably drawn up statement of all the principal points raised by the inquiry referred to them; each of the points being illustrated, and the conclusions sustained, by a careful reference to the evidence. †

* In an Appendix (A) I give the necessary details connected with the composition and proceedings of the two Committees.

† In noticing the very able Report of the Lords' Committee, in contrast with the Report of the Commons' Committee, on the same occasion, I take the opportunity of correcting an error and supplying an omission that I was guilty of when, at page 280. of the Fourth Volume of the History of Prices, I observed with reference to the passing of the Bill of 1844, after noticing and commenting upon the debates upon it in the House of Commons,— "In the House of Lords the Bill passed without a division, and almost without the form even of a debate. Lord Ashburton was, if I recollect rightly, the only peer who objected to the principle of the Bill." It will be seen by the expression here used, that I was

The Report of the Commons' Committee presents a striking contrast in every particular to that of the Lords' Committee.

It is as bald, meagre, evasive, and inconclusive a statement, on a subject of so much importance, as ever emanated from a Committee.

In the discussions in Parliament, to which the Commercial Distress of 1847 had given rise, there was but little difference of opinion as to the originating causes of it. The chief, if not the only ground of controversy, was how far, if at all, the Act of 1844 had aggravated the distress which, it was admitted, had its origin in other causes. The Lords' Committee, accordingly, state at the outset of their Report the conclusion on this point, to which they had been led by an examination of the evidence; and they then proceed in support of that conclusion to give an analytical view of the facts and statements placed before them.

After stating the causes of distress, which, as they are well known, need not be here repeated, the Report proceeds:

"In what precise proportion these different causes contributed to the common disaster, there is some room for difference of opinion; but that each had a considerable share in producing it, no person has been found to dispute. Some of these causes are obviously beyond the reach of legislative control. But upon those which are connected with the extension

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writing from recollection. Being then very much pressed for time, I had contented myself with alluding to, and commenting upon, the debates in the House of Commons. After the publication, in February, 1848, of that volume, on my attention having been drawn to the circumstance, I found, to my great regret, that although I had read the debate at the time that it occurred, in June, 1844, the particulars of it had gone out of my memory; for that, in point of fact, there had been an animated and highly interesting debate on the principle of the Bill, in which Lords Radnor and Monteagle, and the late Lord Ashburton took a prominent part. Lord Radnor, moreover, entered on the Journals of the House a Protest embodying his argument against the principle of the measure, in language very pointed and just.

of Commercial Speculation, encouraged or checked by the facility or the difficulty of obtaining credit, by the advance of capital and the discount of bills, the powers and position of the Bank of England must at all times enable that Corporation to exercise an important influence. The Committee have consequently felt it to be their duty to inquire into the course pursued by the Bank acting under the provisions of the 7th and 8th of Victoria, c. 32.; and they have come to the conclusion that the recent panic was materially aggravated by the operation of that statute, and by the proceedings of the Bank itself.

"This effect may be traced directly to the Act of 1844 in the legislative restriction imposed on the means of accommodation, while a large amount of Bullion was held in the coffers of the Bank, and during a time of favourable exchanges; and it may be traced to the same cause, indirectly, as a consequence of great fluctuation in the rate of discount, and of capital previously advanced at an unusually low rate of interest.

"This course the Bank would hardly have felt itself justified in taking had not the impression existed, that by the separation of the Issue and the Banking Departments, one inflexible rule for regulating the Bank Issues had been substituted by law, in place of the discretion formerly vested in the Bank. The Banking Department was considered to be thus absolved from all obligation, but that which was connected with the pecuniary interests of the proprietors. Though it may be true, as stated by the Governor and Deputy-Governor, 'that if they were to do anything for the interest of the proprietors that was not for the interest of the whole commercial community, the evil would fall back on the Bank, and instead of having a beneficial effect, would have an injurious one, as far as the Bank is concerned.' Yet this principle does not appear to have been practically recognised in all cases, and the Act of 1844 avowedly left the Directors at full liberty to act according to their own views of their corporate interests."—(*Lords Report*, iv.)

Here is a charge based upon a careful consideration of the evidence against the Act of 1844, to the effect that it operated in aggravation of the commercial distress in 1847.

On the other hand, the Commons' Committee having closed the examination of Witnesses, the tenour of whose evidence was, as nearly as might be, the same as that which was taken by the Lords' Committee, came (as appears by the Minutes of Proceedings) to a vote on the 26th May upon a resolution moved by Mr. Hume —

"That, in the opinion of this Committee, the laws for regulating the issue of Bank notes payable on demand aggravated the Commercial Distress in England."

Thereupon the Committee divided, and the numbers were, Ayes eleven, Noes thirteen; thus the motion was negatived by a majority of two.

At the next meeting of the Committee, on the 30th May, a Draft Report, as prepared by the Chancellor of the Exchequer, was read; and upon a motion that it be read a second time, paragraph by paragraph, an amendment was proposed by Mr. Herries to leave out all the words after "That," for the purpose of inserting—

"It is the opinion of this Committee, that the Draft of a Report prepared by the Chancellor of the Exchequer *is not in accordance with the evidence* this Committee has received, more especially with respect to that part of the order of reference to us, in which we are directed to inquire how far the Commercial Distress in 1847 was affected by the laws for regulating the issue of Bank notes payable on demand."

On this amendment the Committee divided, Ayes ten, Noes twelve.

And at the final meeting of the Committee, on the 6th June, on the question being put on the concluding paragraph of the Report to the following effect,—

"Your Committee, therefore, after a careful review of all the evidence, are of opinion that it is not expedient to make any alteration in the Bank Act of 1844,"—

it was carried in the affirmative by twelve to ten.

But had it not been for the accidental absence of two of the members of the Committee, Mr. Herries and Mr. Thomas Baring, who were determined opponents of the proposed Report, the numbers would have been twelve and twelve. The Chairman of the Committee, Sir Francis Baring, had had the candour, in the course of the debates in the House of Commons on Commercial Distress in

the autumn of 1847, to express his surprise and disappointment at finding the state of the Bank Circulation to be so different from what he had been led by the authors of the scheme of separation to expect would be its operation. I infer therefore, that with the impression of having been thus deceived, and having had before him the whole of the evidence, which he was bound to weigh with great care, he would in all probability have decided against the Government, and thus the Act would have been condemned by both Committees.

But the actual result was, that the two Committees, having before them precisely the same facts and evidence, reported to parliament diametrically opposite conclusions. It is possible that there may have been—but I am not aware of the circumstance—parallel cases, or some single case, in which two parliamentary Committees, one appointed by the House of Lords, and the other by the House of Commons, to inquire into a matter of corresponding importance, have come to conclusions, and have adopted recommendations, of a character so totally opposite.

In former analogous instances, such as the Secret Committees appointed by the two Houses of Parliament, on the Suspension of Cash payments in 1797: and on the Resumption of them in 1819: there was the most perfect accord between the two Committees, both in the conclusions to which they were led by a careful examination of the evidence, and in the policy recommended by them to Parliament for adoption.

SECTION 3.

Debates in the House of Commons in 1848 *on the Reports from the Committees of Inquiry.*

There was no proceeding in the House of Commons after the presentation of the Reports until the 22nd August (1848), when Mr. Herries, in pursuance of a notice which he had given, moved a Resolution to the effect of pledging the House to take into its serious consideration, in the early part of the ensuing Session, the Reports of the two Committees.

This motion gave rise to an animated debate, in which Sir Robert Peel and the Chancellor of the Exchequer strenuously opposed the resolution, and the latter moved thereon the previous question.

Sir Robert Peel, in the course of that debate, observed: —

"My Right Honourable friend (Mr. Herries) has referred to the recent Reports of the two Houses. I shall not advert to that of the Commons' Committee, because I heartily concurred in every word of it; but I shall impugn the Report of the Lords' Committee. I shall earnestly deprecate the recommendation of that Report, the ability of which I do not contest. Of that Report I may say, with truth, that it is drawn up by no friend of the Bill of 1844. I do not say that it is a Report prepared in a spirit of unfair hostility to the Act of 1844, but it is prepared in a spirit which ensures the full exposure of any defects which there may be in that Act.

"In two instances the Report recommends a modification of the Act. It suggests, first, an extension of the issue of Bank notes upon silver relatively to gold; secondly, the introduction of a discretionary relaxing power to be intrusted to the Bank of England, but to be exercised only during the existence of a favourable foreign exchange. The first suggestion is of little comparative importance. The other suggestion, the giving a discretionary power to the Bank to relax the restrictions which are imposed upon it, I consider most objectionable."

He then stated the objections to such relaxation: and with considerable warmth, and some degree of

acrimony, defended his own views of the Act of 1844, and quoted in support of them the evidence of those very persons who were the chief propounders and promoters of the scheme which was on its trial; and who gave, as might be expected, an opinion that it had not aggravated the distress in 1847. They went further, and maintained, as indeed did Sir Robert Peel, that its operation had been beneficial, and that an earlier relaxation of the restrictive clauses would have been mischievous.

Mr. Hume, who had been a member of the Committee, in answer to Sir Robert Peel, observed that, —

"Looking to what was expected from this Bill, and what had just been stated to the House, he was utterly at a loss to understand the Right Honourable Baronet. Much time had been taken up by the Right Honourable Baronet in stating the principle on which our currency was based; but that was not the question before the House on the present occasion. The Right Honourable Baronet had spoken lightly of the Report of the Lords' Committee; *but it was, nevertheless, an honest Report, and in accordance with the evidence that was laid before the Committee.*

"He agreed with the Right Honourable Baronet, however, that the recommendations of the Committee were exceedingly vague. The Committee were all agreed, however, that the Acts of 1844-45 did greatly aggravate the distress when the time of pressure came. Although there had been a great jumble on the part of the supporters of the measure of 1844 as to what was expected from it, and what had been its result, he begged to say, that if there was any one principle more intelligible than another in that measure, it would allow of no interference with its operation; and yet ruin stared the country in the face till interference took place. This showed that it was founded on a wrong principle, when it required such interference. The Right Honourable Baronet seemed determined to maintain the principle of his Act; he was unwilling to yield, even although every fact was against him, for, with the exception of the Bank Directors, all the other witnesses were opposed to him. With respect to the Report of the Committee of that House, it was right that the public should know that the numbers in its favour would have stood exactly twelve to twelve, but for the accidental absence of two members; and taking this fact in connection with the bearing of the evidence, it could hardly be expected that the public could have much

confidence in the Report. With respect to the Act of 1845, relating to Scotland, he ventured to say that there never was a more uncalled-for piece of legislation in the world. Not one single soul in Scotland was found to support it; and all the Scotch witnesses who were examined before the Committee, spoke of its bad effects. After the best consideration which he could give the subject, he did not hesitate to confess his belief that the measure from which so much good had been expected did really aggravate the evils that it was intended to remedy, and he was therefore clear in the conviction that it was quite right to draw the attention of the House to that subject."

The previous question, having been moved by the Chancellor of the Exchequer, was of course carried, and both the reports were thus summarily disposed of.

But the circumstance which more perhaps than the support of the Russell and Peel parties (united as they were on this point) contributed to save the Act from the damaging effect of the Report of the Lords' Committee: and from the prevailing opinion of its then recent mischievous operation: was the disappearance, long before the Blue Books of the Committees were in the hands of the public, of nearly all traces of the distress of the previous year. The foreign exchanges had favoured a large influx of gold; the rate of interest had fallen to 4 per cent.; there was a renewal of complete facility of banking accommodation, and every indication of a restoration of Commercial Credit. The restrictive clauses of the Act were no longer operative: and public attention had consequently ceased to be directed to them.

There was perhaps another cause which contributed to prevent any further notice in the ensuing Session of 1849 of the Act of 1844, and of the Reports of the two Committees; and that was the distaste of the House of Commons for any discussion on the Currency unless forced into it by external pressure. Such distaste is not unnatural: for, independent of the dry and abstract nature of the details, the subject is rendered especially irksome by the adherents of the Birmingham School who constantly break in upon the discussion,

and weary the House with interminable dissertations on their peculiar views.

Never was there, in my opinion, a more unrighteous verdict, or a judgment more opposed to the weight of evidence, than that which negatived the charge against the Act of 1844 of having aggravated the distress of 1847; and the process by which that verdict or judgment was obtained is anything but creditable to the eminent public men concerned in the proceedings.

In truth, the result they obtained turned upon the circumstance that Sir Robert Peel the parent, and Sir Charles Wood the sponsor, of the measure, were on the Committee, and voted, of course, in its defence. Their position was that of defendants, who were allowed to step from the bar into the jury-box, and deliver a verdict of acquittal in their own behalf. This certainly did not show much confidence in the intrinsic strength of their cause. Nor, if they had entertained such confidence, would they have deemed it necessary to bring the whole authority and weight both of the actual and immediately preceding governments, the Whig and Peel parties and the prime-minister of each, to bear upon the decisions of the Committee. Lord John Russell, whose policy it was to propitiate Sir Robert Peel, voted on each of the divisions in which the numbers ran close, although he had not attended a single examination of witnesses. And, further, no fewer than seven officials of the actual and preceding governments also constantly divided with Sir Robert Peel: who, notwithstanding the disastrous experience of the operation of the Act, and notwithstanding the overwhelming evidence against it, adhered to the scheme with unabated tenacity.

But in spite of this extraordinary influence brought to bear on the Committee, there would not have been the majority of two on the concluding division had it not been for the accidental absence of Mr. Herries and Mr. Thomas Baring.

SECTION 4.

Examination of the Alterations proposed by the Lords' Report.

I think it impossible that any person possessed of competent knowledge of the general subject, and not committed as a party in the controversy, but taking sufficient interest in the question to read the Report of the Lords' Committee, can help agreeing with Mr. Hume, when he described it as an "*honest Report, and in accordance with the evidence.*" This is a tribute which most assuredly is not due to the Report of the Commons' Committee.

But entertaining as I do a very high opinion of the ability and fairness with which the Report of the Lords' Committee is drawn up, and its perfect accordance with the evidence, I agree also with Mr. Hume in thinking that the recommendations of the Committee are vague.

The Report declares that "Many of the provisions "of the Act are, in the judgment of the Committee, "as well as in the judgment of the great majority "of the witnesses, judiciously adapted to the pur- "poses for which they were framed." But, as was observed by Sir Robert Peel in his criticism on the Report, "it does not specify the particular pro- "visions of the Act of 1844, which, in the opinion "of the Committee, are judiciously adapted to the "purposes for which they are framed."

Now, passing over, as not within the scope of my present purpose, those portions of the Act which relate to certain classes of the country banks; the leading object of the statute is to restrict and regulate the issue of Promissory Notes payable on demand by the Bank of England, and by other Banks of Issue in England and Wales. And it was

this portion of the scheme that constituted the main object of inquiry by the Committee, and of interest in the public mind.

But in truth it was the restriction on the power of Issue by the Bank of England, and the separation of that establishment into Two Departments, that really came into question.

The Lords' Committee having established, in perfect accordance with the evidence, that the Act of 1844 had aggravated the distress in 1847; and having expressed an opinion of the probability of the recurrence, at periods more or less remote, of cases requiring a suspension of the law, observe very properly:—

"To leave these cases, when they do arise, to be dealt with by the irregular exercise of the mere authority of the Crown and its advisers, setting aside 'once in five or six years,' or even at periods more remote, the express provisions of a distinct Statute, appears wholly inconsistent with that fixity and order which it is, or ought to be, the object of all law to secure.

"Two suggestions have been made to the Committee: the one an absolute repeal of the act of 1844; the other a continuance of the Act, accompanied by a power of relaxation.

"Believing that many of the provisions of that Act are judiciously adapted to secure the primary object of the convertibility of the Bank Note, and viewing the great balance of evidence which has been given in favour of the second of these alternatives, it is to that proposition that the Committee are desirous of directing the attention of your Lordships."—(*Report*, xlv.)

Then follows a description of the injurious operation of the Act:—

"It is true that to those who may have expected that the 7 & 8 Vict. cap. 32. would effectually prevent a recurrence of cycles of commercial excitement and depression, the contrast between the years 1845 and 1847 must produce grievous disappointment.

"To those who anticipated that the Act would put a check on improvident speculation, the disappointment cannot be less, if reliance is to be placed (as the Committee are confident it may) on the statement of the Governor of the Bank, and of other witnesses, that 'speculations were never carried to such an enormous extent as in 1846 and the beginning of 1847.' (Q. 525.).

"If the Act were relied on as a security against violent fluctuations in the value of money, the fallaciousness of such anticipation is conclusively proved by the fact (Q. 2308.), that whilst the difference between the highest and lowest rate of discount was in the calamitous years 1837 and 1839 but two and a quarter, to two and three quarters per cent.: the difference in 1847 rose to six and three quarters.

"If it was contemplated that the number and the extent of commercial failures would have been lessened, the deplorable narrative (Q. 112.) of the Governor of the Bank, recording the failure thirty-three houses, comparatively in large business, in London alone, to the amount of 8,129,000*l.*, is a conclusive reply.

"If the enormous extent to which Railroad Speculation has been carried, be considered as an evil to which a sound system of banking could have applied a corrective, such a corrective has not been found in an Act, since the passing of which, during a period of three years, an increased Railway Capital of upwards of 221,000,000*l.* has been authorised to be raised by Parliament, and when the enormous sum of 76,390,000*l.* is stated, on high financial authority, to have been actually expended on Railways in two years and a half.

"If the power of obtaining Banking Accommodation on moderate terms were considered to be promoted by the Act of 1844, it cannot be said that this important object has been attained, since it appears (Q. 3303.) in evidence that in 1847, in addition to an interest of nine or ten per cent., a commission was also frequently paid, raising the charge to ten, twenty, or thirty per cent., according to the time which bills had to run.

"The Committee are fully aware that alternations of periods of commercial excitement and of discredit, of speculation and of collapse, are likely to arise under all systems of Currency; it would be visionary to imagine that they could be averted altogether, even if the circulation were exclusively metallic. But it is on this account that greater care should be taken to avoid increasing an evil, perhaps inevitable, by any arbitrary and artificial enactments."—(*Lords' Report*, xlvi.)

The Committee then proceed to declare, that "They are of opinion that the principle on which "the Act of 1844 should be amended, is the intro- "duction of a discretionary Relaxing Power, such "power in whomsoever vested to be exercised only "during the existence of a favourable exchange. "Several plans have been suggested by which "such a relaxing power may be exercised, but they "resolve themselves practically into three — a "legalised authority vested in the government; in

"the government and the Bank conjointly; or in "the Bank of England alone."

Of these three plans the Committee considered the last to be the least objectionable.

The recommendation on this point by the Committee is open, however, to the charge of vagueness brought against it by Mr. Hume.

But Sir Robert Peel, in the debate alluded to, expressed himself with great vehemence against the idea of any relaxation at all. "The sug- "gestion," he said, "of giving a discretionary "power to the Bank to relax the restrictions "which are imposed upon the Bank, I consider "most objectionable. I consider it to be at vari- "ance with experience and with reason: with the "evidence of the witnesses most competent to give "an opinion upon the question at issue. Why "in 1844 did you impose restrictions on the Bank? "Because the experience of preceding years—full "knowledge of the course pursued by the Bank "when the Bank had unlimited authority—a deep "sense of the evils which had arisen from the un- "controlled power of the Bank in 1825, 1837, "and 1839—convinced parliament of the neces- "sity of subjecting the Bank to peremptory "restrictions. There was in 1844 an almost "unanimous impression, without which the Act of "that year could not have been passed, that the "discretionary power of the Bank had been im- "providently exercised, and ought to be controlled "by law."

The Governors and Directors of the Bank who were examined by the Committee on this point, gave opinions equally decided against any relaxing clause. This, however, was a matter of course, seeing that they were uncompromising defenders of the Act of 1844. Their views were consequently identical with those of Sir Robert Peel, who quoted them as witnesses in favour of the measure. And

if the principles on which the Act was framed were admitted to be correct, and to be of such paramount importance as to justify and require for their practical application a specific enforcement by law, the arguments against a relaxing clause would possess considerable weight.

But what is called the *principle* of the Act has, in my opinion, been referred to with far too much deference in the Report of the Lords' Committee. Some, also, of the witnesses, while expressing themselves adverse to any absolute restriction by law, and recommending an abrogation of so much of the Act of 1844 as imposes a restriction on the issue of Bank notes, and prescribes a separation of the Bank of England into two departments, yet spoke with respect and approbation of the *principle* on which that measure is founded. Now if the principle were rigorously and logically followed out, and the grounds firmly established for the total separation of the departments, there ought to be no occasion for relaxation. But the principle is, in my opinion, essentially unsound, and its application, when the Act is at all operative, is always inconvenient and sometimes mischievous; and I now proceed to state the reasons for these conclusions.

SECTION 5.

Grounds Alleged in 1844 *for the Bank Charter Act then passed.—The special Distinction set up in favour of Bank Notes.*

In the early part of 1844, before Sir Robert Peel had brought in his Banking Bill, and when the provisions of it were only matter of conjecture, although they proved to be in the main such as

had been surmised, I stated in a pamphlet the very strong objections to which it appeared to me that the plan, then reported to be in contemplation, was justly exposed; and I had the opportunity, in a second edition, published soon after Sir Robert Peel's expository speech of May of that year, of repeating and enlarging upon those objections.

And, while referring to that pamphlet, I may perhaps be allowed to make an extract from the Chapter in which; in the course of an examination of a description given by Colonel Torrens of the supposed working of a plan which should separate the Departments of Issue and Banking; I ventured to predict that, under the circumstances assumed in his description, it would be almost inevitable that intense commercial distress would be occasioned; and that the Department of Banking would encounter the absurd catastrophe of having to stop payment, while the Department of Issue held Six millions of unemployed Treasure. The following is the passage:—

"I am most intimately persuaded that (under "the state of things assumed) it would be within "the mark, to suppose that a rate of discount (as- "suming that the doors of the Bank and the ears "of the Directors were inexorably closed against "all applications) of 20 per cent. and upwards "would, in many cases, be submitted to; and sacri- "fices of goods, if any large proportion were held "on credit, would be made at a still greater loss. "And, after all, it might be a question whether "even this effort of the Bank on its securities would "be effectual in restoring the reserve *in sufficient* "*time* to meet the exigency. This would depend "entirely on the character of its Deposits. If these "were strictly payable on demand while the circum- "stances determining the Efflux were strong and "urgent, the payment of 3,000,000*l.*, accompanied "by forced sales of Securities, might prove insuffi-

" cient, in point of time, to arrest the demand; *and,* " *in this case, while the Circulating Department* " *would still have* 6,000,000*l. of Bullion, the Deposit* " *Department would have no alternative but to stop* " *payment;*—a most absurd, however disastrous, " state of things. But it would be too disastrous, " and too absurd to be allowed to take its course. " If such a crisis were to happen, as most probably " it would, at the time when the Dividends on the " Public Funds became due, the Government would " be imperatively called upon to interfere, and pre- " vent so ridiculous, however lamentable, a cata- " strophe; and the only interference that could " meet the emergency would be to authorise a tem- " porary transfer of Coin from the Issuing to the " Banking Department."—(*Inquiry into the Currency Principle, March*, 1844, p. 109.)

It will be admitted, I think, that there is a tolerably close correspondence between the anticipations here stated, and the actual events of October, 1847. Then, the rate of discount was, in many cases, quite equal to 20 per cent. It was found to be impossible to force sales of Securities. The crisis did reach its greatest severity at the juncture of the payment of the Dividends. And the precise facts were that, on the 25th October (1847), the date of the Government Letter, " au- " thorising a temporary transfer of Coin from the " Issuing to the Banking Department," the Treasure in the Issue Department was 6,320,000*l.*

Again, in 1847, when the state of Commercial Distress was brought under the consideration of the public and of Parliament; and the question arose how far the Act of 1844 had contributed to aggravate that distress; I had occasion, in the Fourth Volume of my History of Prices, to enter into a lengthened examination of the principles on which that measure was founded; and to show, by a reference to its operation, that it had tended

materially to aggravate the distress, at the same time admitting that the distress had its origin in other causes.

To the arguments thus adduced against the principle and operation of the Act, I beg to refer such of my readers as may be in possession of those publications; and I cannot help thinking that, as far as they go, they may be allowed to possess considerable weight.

But persuaded as I continue to be, that the principle of the measure is unsound; and that the regulation by law in pursuance of it is impolitic; and believing, as I do, that a discussion of the question of our monetary system, with a view to an alteration of the Act of 1844, must speedily be resumed, I propose now to enter upon a renewed examination of the grounds on which, according to the exposition of the highest authorities in support of the principle and policy of the Banking Law of 1844, that measure was adopted; and has since, with the exception of its temporary suspension in 1847, been maintained in its utmost stringency to the present time.

In the remarks, so suggested, I shall have the advantage of the additional light thrown on the subject not only by the Reports in 1848 of the Lords' and Commons' Committees on the Commercial Distress in 1847; but by experience and observation of the working of the Law in question during the last eight years.

The following are the terms in which Sir Robert Peel enunciated the proposition adopted by him as the groundwork, on which his system of restriction on the Bank Note Circulation of the country was to be erected; and, in pursuance of which a distinct security was to be provided for the convertibility of Bank Notes to the exclusion of other forms of Bank obligations;—

"There is," he said, "a material distinction, in

" my opinion, between the character of a Promissory " Note payable on demand, and other forms of " Credit; and between the effects which they re- " spectively produce upon the prices of com- " modities and upon the exchanges. The one " answers all the purposes of money, passes from " hand to hand without endorsement, without ex- " amination, if there be no suspicion of forgery, " and it is, in fact, what its designations imply it " to be, Currency or Circulating Medium." *

This distinction in favour of Bank Notes, as constituting Money to the exclusion of other forms of paper obligation; and as producing distinct effects on prices and on the foreign exchanges, is wholly unsustained by authority or reasoning.

The only authority, cited for it by Sir Robert Peel, is a passage in a work entitled On the Coins of the Realm, by the first Lord Liverpool, published in 1806. The passage, as I have before endeavoured to show (vol. iv., p. 159.), is of doubtful interpretation; and, having been written at a time when Bank Notes were inconvertible, and when One Pound Notes were in circulation, can hardly be considered to be applicable after the resumption of Cash Payments and the suppression of one pound notes. But granting the utmost importance to this passage in the work of the first Lord Liverpool, it is merely an incidental remark —an *obiter dictum*— which stands singly against a whole array of authorities who deny the validity of the distinction claimed; and who include Bank Notes in the same category with Bills of Exchange and other forms of Paper Credit, and further the distinction claimed by Sir Robert Peel receives no

* This is an instance, amongst others, of great slovenliness of expression. There is no doubt that Bank Notes are to be considered as Circulating Medium; but even Sir R. Peel would hardly deny that Bank Credits and Bills of Exchange also come under the designation of Circulating Medium.

countenance from either Adam Smith or Ricardo, or from the Bullion Report of 1810. It is directly controverted by Mr. Huskisson and Professor Storch in passages which I have cited in my last volume (iv. 156. 171.); and I have now to lay before the reader the following names of writers whose authority on such a subject can hardly be called in question, viz.:—Mr. John Stuart Mill; Mr. McCulloch; M. Michel Chevalier; Dr. Travers Twiss; and M. Joseph Garnier.*

All these distinctly deny that Bank Notes, in a convertible state of the Currency, are entitled to the designation of Money in the same sense as Coin or metallic money; and maintain that they are to be considered only as a form of Paper Credit. Mr. Mill and M. Chevalier enter into the question at considerable length. Their arguments are exhaustive; and I do not imagine that any competent judge can resist the force of their conclusions.

So far, therefore, as rests on authority.—The weight which justly attaches to the opinions of the writers mentioned, and to the statements to similar effect, which I have before referred to (vol. iv. p. 152. *et seq.*), may surely be considered a sufficient and conclusive answer in the negative to the assumption which ascribes the attribute of money to Bank Notes to the exclusion of other forms of paper obligation.

Nor has greater success attended the other attempts, which have been made from time to time, to show that Bank Notes exercise some constant and permanent influence over the magnitude of the amount of other forms of Paper Credit—Bills of Exchange for example;—and that the variations in the quantity of Bank Notes regulate or deter-

* The extracts from the writings of the five authorities mentioned in the text will be found in Appendix XIII.

mine the facility of the creation, and use of these other forms of credit.

Mr. Fullarton refers to these statements in the following passage:—

"I know, indeed, that it has been alleged that, 'When the "'aggregate amount of Coin and Bank Notes is undergoing a "'diminution, an increase in the use of Bills of Exchange is, "'practically speaking, impossible.'"—(*Mr. Norman's Letter to Charles Wood, Esq., M.P.*, p. 42.)

"Now I believe this to be one of the many fallacies which "have been invented *to prop up the rotten fabric of the "Currency Theory.* If my space permitted, and the occasion "demanded, I am confident I have the means of proving that "there exists no such invariable connexion, as has been gene-"rally assumed, between the contractions and expansions of the "Bank Note Circulation, and the expansions and contractions "of the Bill Circulation."—(*Regulation*, p. 47.)

The assumption implied in the statement here quoted from Mr. Norman, is an apt illustration of the exceedingly unsatisfactory consequences, which flow from discussing questions of currency, from a purely abstract point of view; for few persons are better able than Mr. Norman to appreciate the testimony of facts on such a topic, or more willing to give to such testimony a candid attention.

The truth really is, as affirmed by Mr. Fullarton, that there is no invariable connexion between the variation of the Bank Note, and the Bill Circulation:—unless indeed it be a connexion the precise reverse of that assumed by the Currency Party; for it has been shown conclusively by Mr. Newmarch*, that, while the average total amount of Inland Bills of Exchange in Circulation at one time in Great Britain was 113 Millions in the bad year of 1847; and 109 Millions during the four bad years 1839–42; it was only 99 Millions during the four prosperous and active years 1843–46. In other words, that at those periods, when Banking Accommodation and Discounts:—or, as the Cur-

* Statistical Journal, vol. xiv. (1851), p. 176.

rency expression is, when "Bank Notes:"—were most difficult to be procured, Bills of Exchange were most numerous. The *rationale* of such a result is not very difficult; but into that part of the argument it is not material to enter at present.

SECTION 6.

The Alleged Occurrence of Depreciation in Bank Notes strictly Convertible.—The unfair and indiscriminate Imputation of extreme and absurd Views to the Opponents of the Act of 1844.

Sir Robert Peel, in his expository Speech of May, 1844, after establishing, as he conceived, an essential distinction in favour of Bank Notes as being Money, to the exclusion of Bills and other forms of Paper Credit, went on to show the injurious consequences that have attended, and would inevitably attend, the exercise by Banks of the power of issue:—"Because," he said, "unless the "issuers of paper conform to certain *other* prin- "ciples, (besides that of convertibility into coin at "the will of the holder) there is a danger that the "value of the Paper will not correspond with the "value of Coin. The difference may not be im- "mediately perceived; nay, the first effect of "undue issue, by increasing prices, may be to en- "courage further issues; and the evil proceeds "until the *disparity* between gold and paper be- "comes manifest, confidence in the paper is shaken, "and it becomes necessary to restore its value by "sudden reductions in its amount."

Nothing can be more unfounded than this series of assumptions. How is it possible that the paper

can be said "not to correspond with the value of "gold," if the holder of the note can obtain the gold on presentation? Unless, indeed, as has been contended by a refinement of a *quasi* logical subtlety, the very act of exchanging paper for gold is a proof of "a lowering of the value of "paper in its relation to gold."

Mr. Wilson has noticed and forcibly commented on this absurdity:—

"But the most subtle and truly curious argument is that used by Colonel Torrens. He admits that there is a difference between liability to depreciation of an Inconvertible and Convertible paper, which he states thus:—'The increase in the quantity of Inconvertible paper is unlimited: the increase in the quantity of Convertible paper is limited by the power of the holder to exchange it for gold, as soon as, from the increase of its quantity, its value in relation to gold begins to decline. *If the increase in the quantity of Convertible paper had no effect in lowering its value in relation to gold, the holder could have no motive in exchanging it for gold.*'

"Now really this is a special case of magnificent refinement. Every case of an optional exchange of equivalents must be considered an evidence of depreciation! It is certainly an evidence of some preference or greater applicability for the purposes immediately required. But let me ask this ingenious reasoner:—Two men go to the Bank counter on two successive days; one has received a remittance of a 50*l.* note from the country, which is of no use to him till he has converted it into coin, and he presents it for payment. The other man has fifty sovereigns, but wishes to make a remittance to the country, and he receives a note in exchange for it. The one has a 'motive' for exchanging the note for gold, the other for exchanging gold for the note. Now we ask which was depreciated—the Coin or the Note?"—(*Capital, Currency, and Banking*, p. 58.)

Mr. Wilson has also very conclusively answered another of the subtle arguments employed by the Currency Party; namely, that the adjustment in value between gold and a convertible paper may be almost indefinitely postponed. Mr. Wilson says:—

"But some admit 'that while convertible paper cannot permanently be depreciated—that while it must at length become equivalent to the specie it represents, still, under certain cir-

cumstances, the adjustment may be long deferred.'—(*Norman, Remarks on Currency and Banking.*)

"If Mr. Norman here refers to paper convertible at pleasure, and not at a distant day, then we can only say that it is beyond our comprehension how such depreciation could, under any circumstances, be deferred beyond the time requisite to exchange the instrument. Nor does Mr. Norman explain under what circumstances the depreciation he speaks of would take place. It is true, that he and other writers constantly refer to the various proportions in which Bank of England Notes and Country Bank Notes have been in circulation at particular times; but that is no more an evidence of depreciation, than were it attempted to prove that at some particular time half sovereigns were depreciated because they were found to occupy a larger share in the circulation, in relation to sovereigns, than at any other time. No one has yet shown that a Convertible Bank Note ever sold for less than its value in gold or would command less interest than real gold would."—(*Capital, &c.*, p. 54.)

These arguments in effect leave no more to be said on the particular fallacies to which they are an answer.

It is perfectly clear that Sir Robert Peel and the party of which he was the convert, attributed to what they called "depreciation of the paper,"—(the paper being admitted all the time to be convertible at pleasure)—effects which are and can only be produced by the operation of credit and capital. He and they confounded from first to last an inflation of prices, arising from unwise extension of credit; with a rise of prices supposed to be caused by an excessive issue of Convertible Bank Notes; and in maintaining these views Sir Robert Peel frequently fell into the most glaring anomalies of reasoning and expression.

As we have just seen, for example, he spoke of Banks issuing to excess, and thus increasing prices until the *disparity* between gold and notes became manifest. But in what way can such a *disparity* become manifest, unless by the holder of the note no longer exchanging it for gold at *par*?—And it is admitted that no such thing as a discount on perfectly convertible notes has ever happened

or can be rationally conceived, consistently with a standard, and a convertible paper. The convertible note is on a level with the gold it represents; —if the paper be below the gold, the condition of convertibility ceases; — still we are required to believe that convertibility at *par* may co-exist for an indefinite period with *disparity* in value; — and at this point it becomes apparent that we are moving round in a circle of riddles, each more perplexing than the one before it.

The failure of Sir Robert Peel, in his great speech of May, 1844, to establish any sufficient and clear ground for his restrictions on the Circulation attracted attention at the time, and was described on the morning after the debate as follows: —

"The Proposed Measures are scarcely justified by the Speech in which they are introduced. The local Banks of Issue, for instance, are to be extinguished. Why? We gather from Sir Robert Peel's speech that it is because they do not control their issues according to the foreign exchanges. And why should they so control them? Because the omission to do so is productive of over-issue. And how so? Alas, on this, the very heart and root of the question — the moot point of the whole — Sir Robert leaves us in the dark. The connexion between Foreign Exchanges and English Circulation is an interesting and a most important subject. It lay directly between Sir Robert Peel and his conclusion, — nay, was the very ground on which that conclusion rested; and, though to a certain extent intricate, is not too abstruse to be handled briefly and conclusively by the first financier of the day. *Why, instead of grappling with it, did he spend time in proving — what none but a few enthusiasts deny, — the inexpediency of a return to paper payments?*" — (Times, May, 1844.)

The animadversion directed in this passage against the constant disposition on the part of Sir Robert Peel, to assail all who differed from his own peculiar views, by accusations and ridicule directed against their assumed identity with the doctrines of the Birmingham School, is most just; and the conduct of the Currency Party in this respect, since 1844, cannot be passed over without marked condemnation.

It has been a constant artifice of the supporters of the measure of 1844, to accuse indiscriminately all those who are dissatisfied with it of incurable addiction to the nostrums of Inconvertible Paper.

Sir Robert Peel, I am sorry to say, did not disdain constantly to resort to this artifice. In his speeches, whenever the policy of the Act of 1844 was impugned, he went off into declamatory denunciations of the evils of depreciation; and implied, in a sort of impassioned reasoning, that there was no alternative between the limitation imposed by his Act and an issue of paper without any limitation at all; and he seemed to believe, and led his audience to believe, that every attack upon his own scheme was calculated, and was designed, to jeopardise the maintenance of specie payments.

This artifice has been extensively acted upon by those who still adhere to what they call the principle of the law of 1844; and they affect to see no difference between objecting to the restrictions of that law and objecting to all restriction whatever.

In the early part of the session of Parliament, in 1854 for example, when Mr. Glyn and Mr. W. Brown called the attention of Ministers to the possibility—now that War on a large scale had been entered upon—that more than ordinary inconvenience might be occasioned by the restrictive provisions of 1844; Mr. Home Drummond taunted them with seeking to restore the *little shilling*. Now this is essentially unfair: and the persons adopting the practice are either ignorant or disingenuous. If they do not know that a very large party, and the most important and best informed, among those who are opposed to the Act of 1844, are sincere and staunch adherents of the Act of 1819, they must be supremely ignorant. And if they do know this, and still put forward the accusation I have named, it is too lenient an expression, perhaps, to characterise the proceeding as disingenuous.

The issue of the question of the merits of the Act of 1844 ought to be confined to the upholders of that Act on the one hand; and the adherents of the principle of a Metallic Standard, as prescribed and enforced by the Act of 1819, on the other.

If the incubus of the measure of 1844 be got rid of, the dissenters from the measure of 1819 will, I firmly believe, have not the smallest chance of success. In truth their only chance at present consists in assailing the payment of notes in specie through the failure and unpopularity of the law which cuts up the Bank into two departments.

SECTION 7.

The Allegation that the Act of 1844 *is the "Complement" of that of* 1819.

To return, however, to the allegation that Bank Notes are to be considered as Money: — It would not follow, even if the assumption were granted, that the convertibility of Bank Notes should be protected, either on grounds of principle or policy, by any special security over and above that which is provided by a due enforcement of the law of 1819.

In the speech of May 1844, Sir Robert Peel stated that the provisions of the new law were a necessary "*Complement*" of the Act of 1819; and at a subsequent part of the same evening he took occasion to dilate on this point with great emphasis and formality.

Now there is, in truth, no more reason for the assertion that the Bill of 1844 is a necessary "*Complement*" of the Act of 1819, than there would be

for saying that the observances of Puseyism are a necessary complement of the established service of the Church of England.

It may be strange, but it is the fact, that in the debate of the 22nd August, 1848, Sir Charles Wood, then Chancellor of the Exchequer, after the experience of 1847, and after the Reports of the Committees of the two Houses, and after all the evidence taken before these Committees, reiterated this statement with increased emphasis. In his reply to Mr. Herries in that debate, he observed: "But the witnesses* said: 'If you wish to have "'the Act of 1819, you must have the Bill of 1844; "'for without the Bill of 1844 the Bill of 1819 could "'not be carried out.'" And that was his opinion— "that the Act of 1844 was the necessary *comple-* "*ment* of the Act of 1819, and indispensable to "carry its principle into effect, namely, the con- "vertibility of paper into Gold."

The word "complement," when explained to mean additional security, becomes intelligible, however inapplicable; but when it is said "that with- "out the Bill of 1844 the Bill of 1819 could not be "carried out," I would ask, in what possible sense this expression can here be used? Certainly in no sense that is intelligible. For is it the fact that from 1819 to 1844 there has been any instance of failure in carrying out the Act of 1819? Or when, by way of stating the same thing still more emphatically, it is added, "that the Act of 1844 is in- "dispensable to carry into effect the principle of "the Act of 1819—the convertibility of paper into "Gold"—it might equally be asked whether there ever was a moment of that interval in which the paper of solvent Banks, or of Banks professing to

* These witnesses being no other than the Bank Directors, who were the partisans and the original promoters of the measure.

be solvent, was not convertible?* This language is akin to the paradox maintained by Sir Robert Peel in May, 1844, and echoed in full chorus by his supporters in that debate, namely, that convertibility is no security for the maintenance of Cash payments; adducing in proof, an instance certainly on a par with the doctrine, namely, the case of the American Banks, the notes of which, as is well known, never were convertible in the sense in which convertibility is understood in this country.

These assertions of Sir Robert Peel, of the insufficiency of the Act of 1819 without the aid of the Act of 1844, are in no way sanctioned by any recognised authority, or supported by any conclusive train of reasoning.

The principle of a Metallic Standard (gold being valued at 3*l.* 17*s.* 10½*d.* the ounce, and silver at 5*s.* 2*d.* the ounce), was in operation, as the law of the land, for many years before 1797, when it was suspended by the Bank Restriction Act of that year. By the Act of 1819, the principle of the law of a metallic standard was recognised and consecrated, and its operation restored and enforced, with the difference only of making Gold alone the standard;—a difference which, whatever may be the importance attached to it on other grounds, has no bearing on the present discussion; and, as before observed, from 1819 to 1844 there was no infringement of the law so restored and replaced in operation.

The law of the land, then, whereby all obligations expressed in terms of pounds, shillings, and pence are made payable, when due, in good and lawful money,—that is, in Coin of standard weight and

* I refer to *solvent* Banks, because a paltry argument has been founded on the fact that the notes of the Country Banks were not always convertible, inasmuch as the issuers were, in many instances, insolvent, and eventually failed. The argument to this effect is quite wide of the real question under discussion.

fineness,—at the will of the holder of paper or other obligations, I regard as constituting the Orthodox or Catholic faith in the matter of the Currency of this country. And *the Bank-Note dogma*, which detaches promissory notes, payable on demand, from the scope and purpose of that law, and seeks to confer upon them a separate and special security, I hold to be a *schismatic and mischievous innovation*. For sure I am that the unwise measure of 1844, so far from being "a complement and ne-"cessary guarantee," is calculated to add to whatever danger might arise from other causes to the maintenance of Cash Payments. And I am of opinion that the part taken by Sir Robert Peel in framing and carrying the Act of 1844, so far from increasing whatever fame may belong to him as connected with the Act of 1819, will greatly detract from it; inasmuch as it may justly lead to the suspicion that he had no clear and comprehensive view of the scope and bearing of that vital measure.

And not only is a metallic standard of value the foundation, the faith, and the practice in *this* country, but in nearly all the civilised States of the commercial world. In France, Holland, and Belgium, the most commercial States in Europe, the practice is most strictly in accordance with that faith (the temporary suspension of convertibility in France, during the height of the recent Revolution, being an exception hardly worth naming). And in those highly civilised countries there have been no sects of currency dissenters from that faith.

The most striking instance in modern times of laxity on this point in the practice of a great and highly civilised commercial State has been that of the United States of America. But a great improvement has been taking place there since the abundant supplies of Gold from California have induced a large substitution of that metal for paper in the

circulation. Austria and the Papal States afford the most signal instances of a depreciated Currency; but even the Governments of those countries acknowledge the obligation of a metallic standard, and can only plead extreme poverty in their finance in extenuation of their discreditable monetary state, and departure from that standard.

In Russia, the inconvenience of an inconvertible and depreciated Currency was so strongly felt, that sixteen years ago the Government re-established a metallic standard, and adhered to it strictly in practice till the breaking out of the present War; since which time there has been a suspension of Cash payments. The depreciation of the paper is now about 10 per cent.; the intrinsic value of the silver ruble being 39*d.*, and the lowest quotation that I have seen of the exchange is 35½*d.* I remember it as low at one time as 9*d.**

The belief in the blessings of a Currency unfettered by limitation to a metallic standard, prevails in this country to a very great extent. But, happily, the adherents of that belief are so divided into numerous sects, no two of which agree in the particular canon of extravagance they would substitute for the Act of 1819, that but little danger is to be apprehended from their assaults, unless by the aid of the opposition in which they join to the Act of 1844.

* See History of Prices, vol. iv.

SECTION 8.

The Allegation that the Issue of Bank Notes, is the exclusive Function, or Privilege, of the Sovereign or State.

But not only has it been, and is it contended, that Bank Notes are entitled to an especial and almost exclusive protection; but further, that the function or business of creating or issuing promissory notes payable to bearer on demand, is an indefeasible attribute and province or prerogative of the Sovereign or State.

This is a dogma of the Currency School, than which few are held to be more indisputable. And, at the same time, there is no more striking instance, than the statements and arguments on this subject, of the ambiguity and laxity of expression, and confusion of ideas, which characterise the system of doctrines to which we are indebted for the Act of 1844.

This dogma; — that it is the exclusive province of the Government to create and issue Bank Notes; — proceeds on the ground; — that inasmuch as the coining and issue of Metallic Money is an attribute, or province, or privilege of the State, so also Bank Notes, being, by the definition of the school, held to be *money*, the creation and issue of them ought, by parity of reasoning, to be considered as coming within the province of the Government.

Now for this assumption there is not the shadow of a foundation.

There is not, in reality, any analogy between the two functions. The province or function of the Government in regard to the Coinage as conducted by the Mint, in obedience to the prescribed regulations; is simply to certify by a stamp, bearing the effigy of the Sovereign, the weight and fineness of the piece of metal to which it is applied. This

stamp or certificate is essential to the currency of the Coin, and it is accordingly guarded by severe penalties.

But no profit or benefit in a pecuniary or other form is derived by the Government from the exercise of this function; or, as it has sometimes been miscalled, privilege; for the exercise of a privilege supposes advantage of some kind. So far from it, indeed that, in the case of the Gold Coin,—which alone is here in question,—the beautiful coinage or manufacture is attended with loss to the Government. It is an onerous duty imposed on the State for the convenience of the public. And the function of Government is confined to the coinage or stamping. It does not issue the coin in any proper sense of the word *issue*. The gold is delivered into the Mint by the Bank of England, or by other Banks, or by individuals, who desire to have a quantity of the metal converted into coin; an equal weight of which is, after the delay of five or six weeks, re-delivered to the parties who deposited the metal in its unstamped state. The delay incidental to the process of coinage is considered to be equivalent to $1\frac{1}{2}d.$ per ounce. Importers, therefore, and other holders of unmanufactured gold find it their interest and convenience to sell the gold to the Bank at 3*l.* 17*s.* 9*d.* the ounce, and to receive in immediate payment Coin or Bank notes, at their option, of the current value of 3*l.* 17*s.* $10\frac{1}{2}d.$ the ounce. The Bank of England is, accordingly, the principal channel through which the Coin is received from the Mint and issued to the public.

How then can it, by the most strained construction, be said that this function of the Government in the coinage of gold, leaving as it does to others the issue of the gold so coined, bears any similitude to the creation, or, as it is termed, the coining, and the issue of paper money in the shape of Bank Notes?

The Government has undoubtedly the power of taking into its own hands the creation and issue of Bank Notes; but it would be for purposes, and attended with consequences, totally different from those which render the Mint regulations a province of the Government.

The main purpose for which some of the Governments of the Continent of Europe have assumed and exercised the exclusive privilege of the issue of Bank notes has been that of the profit to be derived from it; and a flagrant abuse in the way of fraud has been in many signal instances the consequence.

And of still more importance to Governments disposed to make an illicit gain at the expense of their subjects, has been the exclusive privilege of the issue of what is termed Paper Money of compulsory tender, and not returnable for payment to the issuing Bank. But in the view of the Currency School, the importance of confining the issue of Bank Notes to the hands of Government is not so much the gain to be derived by the substitution of paper for coin, as the power of controlling the *amount*, so that the Paper should not be liable to be issued in excess.

The views I have expressed in this section had the full support of Mr. Fullarton, as the following passage will show:

"I am not," he says, "in the least disposed to "acquiesce in the doctrine, which holds the issue of "a convertible paper Currency to be like Coinage, "the proper business and prerogative of the State. "Nothing can be more marked than the distinction "between the two cases. The rule which limits "the power of coining to the Sovereign, is founded "on such obvious expediency,—it is so clear, that "without the attestation of the royal effigy, and "*that* protected from imitation by the severest "penalties of the law, no metallic Currency can

" ever be kept of a uniform standard, that the pro-
" priety of the restriction stands quite above ques-
" tion. But there are no such conclusive objec-
" tions to the issue by individuals of Bank Notes
" payable on demand."

SECTION 9.

The Act of 1819 *for the Resumption of Cash Payments. — Real Extent of Sir Robert Peel's Connexion with that Measure. — Explanation of the Term Convertibility of the Note.*

But whether Sir Robert Peel comprehended the full import of the Act of 1819 or not, I feel bound, by a due regard to historic truth, to say, that while he is entitled to the entire credit, such as it is, of the Act of 1844, he had only a very subordinate part in that of 1819.

Indeed the part he took in it would not have been worth mentioning, had not his name been associated with the measure from the mere circumstance of his having the duty as Chairman of the Committee of bringing in the Bill. He was, indeed, although then very young, the Chairman of the Select Committee of the House of Commons appointed in the early part of the Session of 1819 to consider the subject of the Resumption of Cash Payments ; and he drew up the Report, and brought in the Bill founded on the recommendations of the Committee, accompanying the introduction of the Bill with a fairly effective speech.

But the Report of the Lords' Committee on that occasion contains, in my opinion, a fuller and more able exposition of the topics of inquiry referred to it than that of the Commons, leading however to the same conclusions and recom-

mendations. And the speech of Lord Liverpool, in the House of Lords, urging the adoption of the recommendations of the Committee, did certainly not yield in compass of knowledge of the subject to that of Sir Robert Peel. When, moreover, it is borne in mind that men of such eminence as Lords Lansdowne, Liverpool, Grenville, and King, in the House of Peers, and Canning, Huskisson, Tierney, Frankland Lewis, and Grenfell, in the House of Commons, were zealous and determined in their endeavours to bring about a restoration of Cash Payments, it must be evident that the measure would equally have been carried if Sir Robert Peel had not been a member of the Committee,—or of the House of Commons.

On the other hand, if it had not been for Sir Robert Peel, who in 1844 was in the plenitude of his power, the doctrine of the New School of Currency would never have been brought into actual operation by being embodied in a law which undertook the anomalous and objectionable function, of regulating the amount of the Bank Note circulation.

The language of the Reports of 1819, on the Resumption of Cash Payments, in which the Convertibility of the Notes of the Bank of England is laid stress upon as the medium through which the resumption of Cash Payments was to be brought about; may seem to countenance the distinction claimed by Sir Robert Peel and the Currency party, in placing Bank Notes in the foreground of the discussion on the principles of the Act of 1844.

The origin of the peculiar stress so laid on the Convertibility of the Notes in contradistinction to the Convertibility of the other obligations of the Bank, payable on demand;—that is, to the maintenance of Cash Payments;—may be traced to the following circumstances attending the Suspension of Cash Payments in 1797.

The Law which restricted the Bank from paying

its Notes in Cash went only the length of exempting the Corporation from being liable to summary process by the holders of the notes. It did not confer the privilege of legal tender on the notes of the Bank of England. A tender of payment in Bank of England Notes had the effect only of exempting a debtor from liability to arrest; but did not preclude the creditor, if he objected to such mode of payment, from pursuing his claim by ordinary process of law. As during two years following the Restriction Act, a payment in Bank Notes was fully equivalent in value to a payment in coin; and as until 1809 the depreciation of the paper of the Bank was inconsiderable; there was no hesitation on the part of creditors, or of the public generally, to receive notes in payment. Indeed, I do not recollect any instance during that interval of holders of Bank notes claiming payment of them by process of law as for a debt; or of any creditor refusing to accept Bank notes in satisfaction of his claim.

But the great fall in the exchanges in 1809 and 1810, and the consequent rise in the price of Gold measured in Bank paper, brought into notice the remedy still subsisting in favour of the creditor. And Lord King, who was a zealous opponent, on principle, of the Restriction Act, brought the question of the exact state of the law on the subject to an issue, by a notice which he gave to his tenants to the effect that he would in future require them to pay their rents in gold; or in the amount of Bank notes which might be required to purchase the gold. An Act originating in the House of Lords, and known as Lord Stanhope's Bill, was in consequence passed in July, 1811, which had the effect of putting a stop to claims for payment in gold.

The state of things at the time of the passing that law, and the reasons for it, are noticed at some length in a former publication of mine*, to which

* Vol. iv. pp. 116., *et seq.*

I refer the reader; and I now allude to the circumstance with a view only to account for the prominence and apparent preference given to the Note over other descriptions of the obligations of the Bank. For it thus appears that for nearly fourteen years from the date of the Restriction the technicalities of the law rendered, to all appearance, although not in reality, the restriction on the payment of the notes equivalent, in public opinion, to a legal suspension of Cash Payments generally. And hence, even in the language of the Committees of both Houses of Parliament in 1819, the expression of the convertibility of the Notes of the Bank is used synonymously with that of Cash payments generally. But I am quite sure that the eminent persons constituting those committees never contemplated the sort of exclusive importance which is attached by the Act of 1844 to the Notes of the Bank.

I consider myself entitled to speak with confidence on this point, because there was no one, I believe, among persons out of parliament, who took a more active part in the movement for the restoration of Cash Payments than myself; or was in more frequent communication with some of the distinguished members of the Committees of 1819, before each of which I was summoned and examined as a witness.

I cannot help thinking that the expression so frequently employed antecedently to 1844, of "the "convertibility of the Notes of the Bank of Eng- "land," when the real meaning was *that of payment of all obligations in cash* by the Bank of England, has had some, and perhaps no small share in imparting the notion of exclusive and excessive importance attached to the Note Circulation. I can say distinctly that I always used the expression of convertibility of the note as synonymous with general payment in cash.

The truth is, that previously to the Bank Charter

Act of 1832, little or nothing was known or thought by the public of the business of the Bank but as passing through the medium of Bank notes. The largest part of the Deposits in the Bank during the War, and for some time subsequently, were those on Government account; and the amount of the Deposits generally, other than those of the Government, entered little, if at all, into the discussions on the state of the currency. And the phrase "state of the circulation" was an expression for the most part used synonymously with "state of the Currency." But I am not aware of any instance in which the expression, "convertibility of the Note," was not by the context evidently meant to convey the idea of payment in Cash of all obligations of the Bank when due.

SECTION 10.

Statement of the Circumstances which enabled Sir Robert Peel to pass the Act of 1844 *with so little Opposition.*

It has always been a matter of wonder to me that a Statesman whose general views and policy were so signally under the guidance of great good sense and caution, as were those of Sir Robert Peel, should have embraced unhesitatingly, in a matter of such importance as the Currency, a set of new opinions, not sanctioned by any unquestioned authority, and unsustained by any reference to admitted facts; and not only that he should have avowed himself to be a proselyte of a new and heretofore unrecognised doctrine on the subject of the Paper Circulation of the country, but that he should have availed himself of the great power which he exer-

cised in the State, to embody in a positive enactment a novel scheme of Banking, founded on the doctrine which he had so hastily embraced.

The mere circumstance of Sir Robert Peel embracing those doctrines may hardly appear so strange, when it is considered that the School, whose tenets he adopted numbered among its teachers and disciples, persons of eminence who had paid great attention to the subject, and who disseminated their views with amazing zeal and eloquence; and, therefore, his embracing those doctrines in a mere theoretical view of the principles of Currency, on authority so high and in argument so specious, might be accounted for without much imputation on his sagacity or habitual prudence; more especially, allowance being made for the degree in which his mind must have been pre-occupied with the vast concerns of the State pressing on his attention.

But between the mere assent to a novel and controverted Theory, and the assumption of the responsibility of carrying such theory into practical effect, there is the widest possible difference. And it becomes a matter of some interest to endeavour to account for the zeal manifested by Sir Robert Peel in his adoption of the new tenets; and in his determination to bring forward a scheme founded upon them.

This distinguished statesman had apparently, from an early period of the discussions on the Currency, imbibed a strong prejudice against the Management of the affairs of the Bank by the Directors of that establishment. The senior Directors of it had, in 1819, expressed opinions adverse to the doctrine of a metallic standard; they were willing, they said, to pay in gold at the market price of that metal; and these opinions he had to combat in the Report of 1819, and in the speech in which he brought that Report before the House of Commons. There was nothing in the

subsequent period till 1825 that was calculated to call forth any very strong opinion on the management of the Bank; but the hazardous position in which the establishment suffered itself to be placed in that year; and again in the interval between 1836 and 1839; naturally produced upon him an impression unfavourable to the Bank. And the examination by the Committee on Banks of Issue in 1840, brought into full view the error of the Bank Management to that period.

At the same time an opportunity was afforded by that Committee to the teachers of the New School of Currency to state their doctrines at great length as witnesses before it. This they did with eloquence and effect; and from the part which Sir Robert Peel took in the examinations it was evident that he had adopted a view unfriendly to the Bank, and leaning to the doctrines of the New School. Soon after he came into power, a break in the Bank Charter afforded occasion for some alteration of its provisions; and he availed himself of it for the purpose of introducing a great change in the management: the change he proposed serving at the same time to prove his great distrust of the prudence of the Direction, and to bring into operation by the force of law the principle of management prescribed by the dogmas of the New School.

But Sir Robert Peel, and the Authorities from whom he drew his inspiration, unluckily mistook, as I shall hereafter show, the nature and cause of the mismanagement imputed to the Bank; and the remedy which, under the influence of this erroneous view, he applied by the Act of 1844, had the effect of aggravating those very evils of the management which he sought to correct and remove.

Sir Robert Peel, however, even in the plenitude of his power in 1844, would hardly have ventured on so great an alteration had it not been for the following circumstances:—

The great unpopularity of the Bank Management.

The cordial concurrence and co-operation of the Bank Directors in his proposed change.

The large influx of Treasure into the Bank between 1840 and 1844.

To advert to these circumstances in their order;—The Bank of England has always within my recollection been unpopular with the public. In the period immediately preceding the Bank Restriction the Directors had been compelled to resort to the most stringent measures of contraction of Banking accommodation, and meetings of Merchants and Bankers were held in the City, remonstrating against such measures. The Suspension of Cash payments, although acquiesced in by the public as a measure of State necessity, was always looked upon as an exceptional and objectionable state of things. And there was a large and important class of reasoners, who imputed the necessity of Suspension to mismanagement, while at the same time it was a source of profit to the proprietors of Bank Stock.

The Evidence of the Bank Directors before the Bullion Committee of 1810, was the occasion for animadversion and ridicule from their ignoring the principles of a metallic standard; and somewhat similar was the light in which the Bank Directors stood in 1819.

From that time to 1844, the Management has been, with few exceptions, the theme of adverse criticism and a source of controversy, especially in 1836, 1837, and 1839. The Bank too was an object of jealousy to other Joint Stock Banks. The managers of some of these were examined as witnesses before the Committee on Banks of Issue in 1841, and while clearly proving that they had no direct control over the amount of their own circulation, gave it as their opinion that the Directors of the

Bank of England did possess, and exercise, sometimes in an objectionable manner, a direct power over the circulation of Bank of England Notes in the hands of the public.*

Sir Robert Peel might therefore be fairly justified in saying, as he did in the debate of the 22nd August, 1848—"There was in 1844 an almost "unanimous impression, without which the Act of "that year could not have been passed, that the "discretionary power of the Bank had been im-"providently exercised;" but when he added, "and "ought to be controlled by law,"—I am not clear that he was borne out by the fact of any such impression existing among the public.

But the unanimous impression to which Sir Robert Peel alluded was clearly a mistaken one, inasmuch as it assumed that the Bank, previously to 1844, possessed and exercised the power of controlling and regulating the amount of the Circulation; and that it was in the exercise of that power that the Directors mismanaged the Currency. The proof of such mismanagement, according to the doctrines of the School, being that the amount of Bank Notes in circulation had not varied with the amount of Bullion, as it ought to have done, if properly managed in accordance with the correct principle of Currency; and as it would be made to do by the law of 1844.

Now, the experience of the operation of that law has shown that the discrepancy between the Circulation and the Bullion has been, since 1844, as frequent and in some instances to a greater amount, than it had been previously; and that the effect of an export of gold on the amount of

* It was probably owing to a feeling of this kind, and to an expectation perhaps of escaping from any important restriction themselves, that so little opposition was offered by the other Banking establishments to the restriction on the Bank of England.

the circulation has been totally at variance with that which had been anticipated from it by the teaching of the School.

The unpopularity, however, of the Bank Directors and the Bank Management would hardly have been sufficient to have enabled Sir Robert Peel to carry his measure; and it may fairly be doubted whether he could even have entertained the project of such a change, if it had been strenuously opposed by the Directors, with arguments enforced by all the weight of authority, and by the importance of the practical information which their position enabled them to bring to bear on the question of the proposed change.

It so happened, however, that instead of opposition, the change proposed by Sir Robert Peel received from the Directors their most cordial approbation and co-operation. In truth, it accorded with a favourite scheme of their own; for it appears that as far back as 1840, they had become proselytes of the new School of Currency; and had adopted and carried into operation the rule or principle of setting apart a Reserve of gold for all excess of the Circulation beyond fourteen millions of notes.

This principle, or, more properly speaking, experimental rule, they had acted upon invariably from 1840 until 1844; but, of course, only as a matter of account; and as they were wedded to the principle, but instinctively apprehensive that there might arise circumstances in which they could not take the responsibility of acting upon it, they seemed to be but too happy in concurring in the proposal of having this rule erected into a law. Thus there was not only no opposition from a quarter from which opposition was to be most apprehended; but every facility and assistance afforded in that quarter towards the proposed change.

The third circumstance, without the concurrence

of which the scheme could not have been proposed, was the unprecedented accumulation of Treasure in the Bank of England between 1840 and 1844.

The remarkable fact of the great influx of the precious metals, and the high amount which it reached previous to the introduction of the Bill, is shown in the following statement:

		Minimum.	Maximum.
Bullion in the Bank	1840 -	£3,000,000	£4,800,000
„	1841 -	3,900,000	5,600,000
„	1842 -	5,400,000	11,100,000
„	1843 -	10,900,000	14,900,000
First three months of 1844 (23 Mch.),			16,400,000

Now if the occasion for the renewal of the Bank Charter had arisen in 1841 is it possible to imagine that Sir Robert Peel, or any other Finance Minister, would have proposed a division of the Bank when the whole of the treasure to be divided was of so small an amount?

It can surely not be maintained by the advocates of the Bill that in 1841 and the early part of 1842, Sir Robert Peel, or any of the prompters of the scheme of separation, foresaw the enormous influx of the precious metals which was to take place. There is, at least, no record of any confident anticipations expressed by any of the authorities in favour of the scheme of separation that such an influx was probable.

The circumstances which, after the event, might be considered to go a great way in accounting for the large Influx of Gold were —

The abundant Harvests of 1842–3 and –44, and the consequent diminution of payments for imports of corn, not only in quantity but in value, as compared with those of the three years preceding.

The rapid and great increase of the Exports of British Produce and Manufactures.

Imports of Russian Gold in consequence of the

great increase of the production of that metal in the regions of the Ural and Siberia.*

These imports were of considerable importance, An accumulation of Gold had been gradually taking place in Russia for a few years before; but the circumstances of the trade with this country, and the great demand here for corn, kept up the exchanges in Russia so as to afford no inducement to the export of Gold till 1842; and in that and subsequent years, the supplies of Gold from Russia became considerable.

SECTION 11.

The Suggestion by the Currency Party of a Metallic Type as the Model of a Perfect Currency. — The extremely Hypothetical and Defective Character of the Views arising out of the Suggestion.

But the main argument relied upon by the school of the Currency Theory, proceeded on the assumption that a Purely Metallic Circulation is the Type or Model of a perfect currency; and that if paper money forms a part of the currency, the amount of the paper money, for such they define

* According to the Official Consular returns (Parl. P., 3 Dec., 1847), the produce of Gold in Russia from 1837 to 1846 was as follows: —

	£		£		£
1837 ...	900,000	1841 ...	1,316,000	1845 ...	2,792,000
1838 ...	1,004,000	1842 ...	1,848,000	1846 ...	3,414,000
1839 ...	1,003,000	1843 ...	2,635,000		
1840 ...	1,125,000	1844 ...	2,730,000		
Total to end of 1844			£12,561,000		

It will be seen that these figures fully bear out the statements of the text.

Bank notes to be, in their quality as representatives of coin, ought to vary in amount and value exactly as if the circulation were purely metallic.

In the pamphlets and in the evidence before the Parliamentary Committees, and in the speeches in Parliament, a reference to such a Model Currency has been repeated, *usque ad nauseam;* and the asserted occasional departure from such a model circulation in the management of the Bank of England previous to 1844, has been denounced as being "vicious in principle, and pernicious in practice."

Now these imagined models of a purely metallic currency seem to me to be made of wax; and to be susceptible therefore of being moulded into any shape most convenient to the reasoner who employs them in illustration of his views. If the model were drawn from an example* of the actual working of such a currency existing, or known to have existed, the case would be different. The convenience or inconvenience of a system so exemplified would proceed upon the legitimate grounds of experience and the evidence of facts; whereas it appears to me impossible that any one out of the pale of the Currency-principle school, can fail of being struck with the obscure and fanciful, and in every way unsatisfactory character of the reasonings of the teachers and followers of that school, as to what would be the variations; and the causes and effects of such variations; in a currency purely metallic. In truth, the assumption of such a fanciful model explains nothing; but, on the contrary, confuses everything which it is designed to elucidate.

Among the conceivable cases of a Purely Metallic Currency, are the following:—

* The example of Hamburg has been cited, but does not in point of fact apply. In that small State there are two descriptions of Currency; one of Bank money, the other of current money, consisting of coins of conventional value.

1. A state of things in which no credit should exist, but every payment be made by coins, or certain weights of metal, or by barter.

2. A state of things in which Hoards of coin or bullion should exist, and credit between individual and individual be given and taken; but with no trade of Banking in its present form; that is to say, no arrangements under which Bankers are at liberty to invest a portion of their deposits in productive securities for their own benefit. In place of such arrangements, the habits of the community may be supposed to be such that the Bankers or Goldsmiths would be required to hold their deposits in specie, without making a profitable use of any part of them, but charging a percentage or a remuneration in some shape or other for trouble and safe keeping.

3. A state of things in which Banking might exist in its essentials on the present footing; but without any power of issue of promissory notes, and with the banks in an isolated position, without branches, and without the existence of a great central quasi-national, bank, serving as a reservoir, or hoard, or collection of hoards from other banks, in addition to its own metallic reserves.

4. A state of things in which banks should exist on their present actual footing, with a large Central Bank, such as the Bank of England now is, but without any power of issue, either in the individual banks or in the Bank of England.

Of these Four Hypotheses, Number One is the only case which seems to have been in the contemplation of the early teachers of the Currency School; and it is the case upon which I had occasion to comment in my pamphlet of 1844. Its prominent feature is the assumption that every Drain for export would operate directly upon the quantity of the Circulation; that is, on the quantity of coin in the pockets of the public; thus diminishing their power of purchase, and consequently reducing prices, and, through the

reduction of prices, rectifying the exchanges. An Influx was of course assumed to be attended with the converse of these effects: but upon the whole, the reasoning upon this and other hypotheses of a metallic circulation, have been confined principally to supposed cases of drain or Efflux, and but little stress comparatively has been laid on the opposite suppositions of Influx; and latterly the early references to supposed models of a metallic circulation, which ought, it was said, to be taken as types of a mixed circulation of coin and paper have been abandoned, but without any avowal of error.

Hypothesis Number Two represents a Metallic Currency very nearly such as existed in this country till about the middle of the seventeenth century*; although, as nearly as may be, purely metallic, it will hardly be considered as a model for a mixed circulation of coin and paper.

Hypothesis Number Three is a case readily supposable; and it is the nearest exemplification of what I imagine must have been in the minds of some of

* The statement in the text may be very aptly illustrated and confirmed by a quotation from the able and lucid paper by Mr. Gilbart on the Laws of the Currency printed in the Statistical Journal for Dec. 1854, (vol. xvii.). Referring to a previous work by himself in which fuller details are given, Mr. Gilbart says, "That part of the business of Banking which consists in the borrowing of money with a view to lending it again at a higher rate of interest, does not appear to have been carried on by Bankers until the year 1645, when a new era occurred in the history of Banking. The Goldsmiths, who were previously only money-changers, now also became money-lenders. They became also money-borrowers, and allowed interest on the sums they borrowed. They were agents for receiving rents. The receipts they issued for the money lodged at their houses, circulated from hand to hand, and were known by the name of Goldsmiths' notes. These may be considered as the first Bank notes issued in England." Mr. Gilbart then refers to the Mint, in the Tower, being employed by the merchants and others as a place of safe deposit for coin, and gold and silver bullion; and to the circumstance of the seizure, or, more properly speaking, the robbery by Charles I., in 1640, of 200,000*l.* of the money of the merchants then deposited in the Tower.

the teachers or disciples of the new school. And I am not sure that among the vague notions that have come across my own mind when I have had occasion to refer to what, under certain circumstances, the variations in the amount of a metallic circulation would have been, this has not been the outline that I have imagined.

Hypothesis Number Four is a case which may be supposed to represent a state of banking corresponding with that which now exists in this country; with the single exception of a total absence of Bank Notes, including in that term the post-bills of the Bank of England. The points of difference between this hypothesis and hypothesis Number Three consist in the supposition, in Number Three, of a smaller class of banks; but without branches; and without a great Central Bank.

But the difference between the two hypotheses Numbers Three and Four, in practical application, would be considerable.

The Metallic Circulation of Number Three would be greater in amount; because the larger the banks, and the more extensive their ramifications, the more effectual would be the saving by economical expedients. But the more important difference would be in the existence of a large Central Bank.

In the Case Number Three, there might, on the occurrence of possible and not altogether improbable contingencies, be a suspension of Cash Payments.

Suppose, for instance, that in the confidence engendered by an easy state of the money market of long continuance, some of the more enterprising and less wealthy of the banks might invest too large a proportion of their deposits in securities not readily convertible, or of doubtful solidity; — and then, supposing a sudden extra demand for coin, whether for export or for internal purposes, these weaker banks might simultaneously fail. These

failures would inevitably engender a panic among the depositors in the more wealthy banks, causing a run upon them; and as runs in such cases are infectious, they might extend to the greater number of the banks in the kingdom, who might thus be obliged to suspend their payments. A state of things like this might be equivalent to a general suspension of Cash payments.

Such a catastrophe would be much less likely to occur if, as in Hypothesis Number Four, there were a Central Bank possessing a large reservoir of coin, which would enable it to come in aid of such banks as might, although of undoubted solidity, be tottering in a time of panic.

It can hardly escape the attention of any one who follows with care the outline of the various hypotheses of the assumed action of a Metallic Circulation, that, throughout the whole of the reasoning, the existence and influence of Hoards or Reserves in the hands of bankers and others was completely ignored.

I had occasion, when writing on the subject in March, 1844, to point out the extreme error of this particular dogma of the Currency Principle; and to give reasons for the belief that, in a Purely Metallic Currency, there might be an export of Bullion to a large extent, without in the smallest degree affecting the amount of the Circulation, the export being easily and readily satisfied out of the hoards and reserves. Mr. Fullarton * enlarged upon this view, and showed that a considerable exportation of gold might, and probably would, operate only on the reserves of the Bank of England and of other banks; without necessarily affecting the quantity of coin in the pockets of the public in the smallest degree; and

* Regulation of Currencies. — Published in 1844, soon after the passing of the Act.

Mr. Fullarton not only illustrated this view with the wonderful clearness and vigour which distinguish his writings, but he also addressed himself with not less success to prove that the assumed effect of Drain upon a currency exclusively metallic is identical with the effect which, in point of fact, is produced upon the present mixed circulation of coin and convertible bank notes. Mr. Fullarton said:

"As to making a Bank Note circulation fluctuate exactly as a pure metallic circulation would have fluctuated, I do not see how that can be constituted into a duty, until it be first shown that they ever fluctuate differently. As a general principle, indeed, I am free to admit that the increase or decrease of a circulation of Bank Notes, from whatever cause it may proceed, ought to correspond with the increase or decrease which the currency of metallic coin would exhibit under the same circumstances. But I go further than this: I contend that there not only ought to be such correspondence, but that there always is;—that whenever the convertibility of the paper is perfect and secured from all delay or impediment, the coin of full standard value in weight and fineness, and the traffic in the metal, whether coined or uncoined, absolutely free and unrestricted, —then the Bank issues, if left to themselves, must necessarily fluctuate in conformity with the principles which govern the supply of the standard metal; and it is only from the intervention of some such arbitrary and empirical system of restraint as is now projected that this conformity runs any risk of being disturbed."—(*Regulation*, &c., p. 120.)

Mr. Ricardo, indeed, seems to have entertained a strong opinion that a Paper Circulation established on correct principles, would have advantages over a purely metallic currency; for he observes:—

"Whenever merchants have a want of confidence in each other, which disinclines them to deal on credit, or to accept each other's cheques, notes, or bills, more money is in demand; and the advantage of a Paper Circulation, when established on correct principles is, that this additional quantity can be presently supplied, without occasioning any variation in the value of the whole currency, either as compared with bullion, or with any other commodity: whereas with a system of Metallic Currency the additional quantity cannot be so readily supplied."—(*Mr. M'Culloch's Edition of Ricardo*, 1841, p. 399.)

It is clear, therefore, that Mr. Ricardo must have

conceived a different notion of the type or model of a Metallic Currency from that which seems to be entertained by the teachers of the modern school, because they maintain that a metallic currency is the type or model of a *perfect* circulation.

SECTION 12.

The Disappointment expressed in 1847 *at the Actual Working of the Act of* 1844.—*Confusion arising from the New Nomenclature.*

The experience of 1847 has afforded the most striking proofs of the correctness of those opinions which regarded as extremely unsafe and hypothetical the reasonings on wholly imaginary Metallic Types.

The discrepancies between the actual facts of that year and the anticipations held out by the framers of the Act of 1844, were so conspicuous that Sir Francis Baring could not refrain from specially adverting to them in one of the earliest debates of December, 1847.*

He stated with great candour his astonishment and perplexity at discovering, during 1847, that there was no correspondence or sympathy of movement between the amount of Bullion in the Bank and the quantity of Notes in the hands of the public; and he confessed himself totally unprepared for such a result by any doctrine or principle of the framers of the Act of 1844. Sir Francis referred to a particular case of variation in which the Bullion had *decreased* 7,024,000*l.*,

* The debate was that of 3rd Dec. 1847. I have given at page 307. vol. iv. Hist. of Prices, an extract of some length from Sir Francis Baring's speech.

and the circulation in the hands of the Public had *increased* 346,000*l.*; and he added: "*It certainly never entered into the contemplation of any one considering the subject prior to the passing of the Act that* 7,000,000*l. of Gold should run off and yet that the Notes in the hands of the public should rather increase than diminish.*"

But the difficulties and perplexities avowed by Sir Francis Baring at the very outset of the discussions were abundantly confirmed by evidence taken before the very Committee of which he was afterwards Chairman; — evidence, too, furnished — with admirable regard to the requirements of poetic justice — by the very persons who were most ultra in their defence of the Act and all its consequences and calamities.

This statement is fully borne out by the extracts printed in the Appendix (C.), from the very admirable cross-examination, by Mr. James Wilson, of the Governor of the Bank (Mr. Morris), and of the Deputy-Governor (Mr. Prescott); and of these extracts I would particularly request a careful perusal.

But in the perplexity and disappointment avowed by Sir Francis Baring he was by no means singular; for in the course of the same debate of the 3rd December 1847, Lord John Russell described as follows the unsettled nature of his own views and conclusions:—

"I feel the truth and prudence of the observations made by my honourable friend the member for the Tower Hamlets (Sir William Clay), that although from the year 1810 to the present time, this subject of the Currency Laws has engaged the attention of some of the ablest men this country has ever produced; although the Currency Laws have been directed by the views of a Grenville, a Huskisson, a Horner, a Canning, and of many of the most talented men now living, the matter is so difficult, so complex, so intricate, that there are still certain truths to be learned concerning it."

Now, the difficulties here alluded to have been

infinitely increased by the New Nomenclature introduced by the framers of the Act of 1844.

It is an observation of Locke's that, "words being "intended for signs of ideas, to make them known "to others, not by any natural signification, but by "a voluntary imposition, it is a plain cheat and "abuse when I make them stand sometimes for "one thing and sometimes for another; the wilful "doing whereof can be imputed to nothing but "great folly." And again: "Another abuse of "language is an affected obscurity, by either ap-"plying old words to new and unusual significa-"tions; or introducing new and ambiguous terms "without defining either; or else so putting them "together as may confound their ordinary mean-"ing."* And he afterwards gives the name of "gibberish" to this abuse of words.

Of the truth of this remark there cannot be a stronger proof and illustration than in the attempts that have been made by the zealous advocates of the Act of 1844 to explain in their peculiar sense what they consider to be its beneficial operation; and we must class under Locke's phrase of "gib-"berish" many of the expositions which have been attempted with the object of reconciling the effects produced by, with the effects predicted of, the measure.

Of these attempts, some idea may be gathered from the answers to the cross-examination by Mr. James Wilson already referred to, and included in this publication as an Appendix.† Those answers exhibit the style of explanation adopted by the more ultra partisans of the New School; and it would, I think, not be easy to conceive a more complete illustration of the confusion of ideas, and the perplexity of meaning, engendered by the application of old terms to new meanings.

* Essay on the Human Understanding, b. iii. c. 10.

† See Appendix XIV.

We have there, in all the varieties, the new and old meanings, of the word Circulation.* We have, for example, the definition of Circulation as being "Notes issued;" and then, inplain contradiction to the meaning hitherto attached to the phrase "Notes "issued"—namely, the meaning of notes issued to the public—a meaning naturally enough suggested by the phrase itself,—the expositors assume, for the purpose of their argument, that "Notes issued" are, in point of fact, not issued at all, but are notes conveyed merely from one room of the Bank to another. The Currency equivalent of "Notes "issued" in the old sense, seems to be the somewhat barbarous expression of "Notes out with the "public." And "Circulation," in the Currency sense, bears a meaning which is assigned to it nowhere else; for, while mankind are tolerably unanimous in denying the attribute of circulation to that which does not circulate at all, the new doctrine prides itself in the discovery, that no part of the Currency is so pre-eminently Circulation as the notes which remain in a state of constant repose and custody in the Bank till.

In addition to all this, there is the hopeless confusion and misapprehension perpetually occasioned by the unhappy and inaccurate habit of speaking of the Reserve as consisting of notes, when in truth it consists of bullion; and therefore of describing the Bank as pursuing the pedantic course of trans-

* When the Act first came into operation, it was amusing to observe, how much puzzled the Brokers were to describe in the circulars to their clients and correspondents the new sort of Circulation. The descriptions were various,—as "reserved circulation," "dormant circulation," "potential circulation," and "passive circulation." This last designation, although savouring of an Hibernicism, is still retained in a few of the newspapers when giving a summary of the weekly returns of the Bank. In these circulars, moreover, pains were taken to point out that the effect of the New Act was to repress speculation, whenever it had any tendency to go too far.

ferring and selling to itself, its own promises to pay to itself with one hand, something supplied by the other.

Generally speaking, in proportion as the term "Circulation" and the term "Notes," either in what is called the *Till* of the Bank, or *Out with the Public*, are introduced into discussions on the state of the money market, or on the fluctuations in the prices of commodities; in that proportion will be the obscurity and confusion of the explanation. And it ought not to escape serious attention, that after all the maze and heap of words out of which, by means of Mr. Wilson's admirably framed questions, the real argument was kept in view, the result is that, after all the pretentious claims, the elaborate provisions, and the restrictive regulations of the Act of 1844, it is confessed (Q. 3701)—that if "the affairs of the Bank of England had been "regulated with prudence and discretion under the "Old System, it would have been managed in the "same way as the Bank Act defines that it shall be "managed."

But, whether well or ill managed, the *rationale* of the difference between the Separation and the Union of Departments is:—That in the Department in which alone the regulation of the currency as relating to the Bank Rate of Interest is concerned, the power of meeting requirements is limited by the quantity of gold in its coffers (identical with notes in its till); whereas in an united state it would, under circumstances which will be explained in the next section, be most beneficially enabled to extend its accommodation, subject, however, also to limitation, but only by the amount of the joint treasure of both Departments.

SECTION 13.

The Erroneous and Insufficient Nature of the Grounds on which a Legislative Separation was made between the two Departments of Banking and Issue of the Bank of England.

But if Sir Robert Peel, and his advisers and supporters, committed an egregious mistake in the grounds on which they proceeded when they imposed a restriction on the issue of promissory notes by the Bank; still greater, if that be possible, was the mistake of assuming, as they did, and as is stated most emphatically by the Governor of the Bank in his evidence just quoted; — that, after the separation of departments, the Banking Business of that establishment would be like the business of any other joint-stock bank; and might be conducted in the same way as that of any other bank without unduly interfering with the money market and the state of credit.

In adopting this assumption they overlooked the following considerations:—

1. The mere relative magnitude of the business of the Bank of England would alone and at once take it out of the same category or line of comparison with other banks.

2. The receipts and payments on account of the Public Debt, and on account of the Government Expenditure, are not only in amount, but in the liability to great and sudden fluctuations, infinitely beyond those of any analogous establishment.

3. The Accounts of the Bank of England are published weekly with a minuteness of detail, and are exposed to a degree of scrutiny and criticism, to which the affairs of no other bank are liable. And this weekly publication of the accounts was stated in evidence by the Governors, who were

staunch supporters of the bill, to be occasionally very inconvenient.

4. There is no other bank to which extensive resort is had in the way of applications for loans and discounts, wholly distinct from other banking business; and no other bank is looked up to in the same, or anything like the same degree, for the support of credit in an emergency, or in periods of commercial distress.*

5. The Bank of England may be considered as the Centre to which a large part of the monetary transactions, not only of the United Kingdom, but of the commercial world, converge for settlement and liquidation. And in this respect there is no analogy between it and any other bank in the United Kingdom.

6. No other Joint Stock Bank has it in its power, by the regulation of its Securities, to produce so great a temporary effect on the Rate of Interest;

* In the debate of 22nd August, 1848, Sir Charles Wood referred as follows to an opinion expressed by myself in 1839 on the functions of the Bank in supporting credit: "With "reference to the question of the means necessary to support "credit in cases of extreme panic and alarm, different persons "entertained different opinions upon this head. Mr. Tooke "deprecated the issue of paper to support credit, and contended "that it was no part of the functions of the Bank to support "public credit; and that they departed from their proper func- "tions when they attempted to do so, except in times of panic "and alarm, which were exceptions from all rule." The opinion here quoted was expressed by me in 1839 (History of Prices, vol. iii. pp. 110–114), and is correctly stated as far as it goes. I do not at this distance of time see much to alter in it. The remark was made in reference to the conduct of the Bank in the very large advances which it made in 1836, to three great American houses, which failed in 1839. The Bank lost a considerable sum (about 200,000*l.*) eventually by those failures, after a long process of winding up in America and the employment there of a special agent. Bearing in mind the peculiar nature of the facts connected with the advances of 1836–37, I am not disposed to modify the opinion I expressed of them in my third volume.

and through the rate of interest on the Foreign Exchanges; and to exercise so great a moral influence in encouraging an undue extension of credit and of the spirit of enterprise on the one hand; or, on the other hand, in creating alarm and a general revulsion of credit.

7. Nor would it be in the power, consequently, of any other bank, by the management of its securities, to affect the Foreign Exchanges in the same manner as the operations of the Banking Department of the Bank of England are calculated, and are found by experience to affect them. No other bank feels the immediate effects of an export or import of Gold in any degree approaching to that in which they are felt by the Banking Department of the Bank of England.

8. But above all there is this peculiar difference, which is of paramount importance, and is of itself condemnatory of the separation,—namely, that any other joint stock bank may stop payment without the smallest danger to the convertibility of the Note Circulation or the maintenance of cash payments; whereas, if the Banking Department of the Bank of England were to suspend its payment of the Dividends, and of its other obligations payable on demand, the convertibility of the note, and the maintenance of cash payments, would be in the greatest possible danger.

The source of danger here mentioned is noticed in the following extract from the Report of the Lords' Committee:—

"If the Committee considered that the Act of 1844, which they desire to see amended as far as its restrictive clauses are concerned, was essential to the practical convertibility of the Bank note, they would hesitate in recommending any change.

"*But it should never be forgotten that the liability of the Bank consists in its Deposits as well as in its Promissory notes. The legal obligation to discharge both is the same. The failure of either would be equally fatal.*

"The protection given by the Act of 1844 is mainly given

at the risk of the Deposits. This appears undeniable on comparing the reserve in the third week of October, 1847, with the amount of Private Deposits. Had any unfortunate circumstances interfered with the power of meeting the latter engagements, or had not the Treasury Letter been written, there seems little doubt of the fatal consequences which must have ensued. Had it been impossible to pay the Deposits, a discredit of the Bank Note must have been the consequence. Nor can it be rationally questioned but that such a misfortune might have exposed to risk the convertibility of the Bank note." —(*Lords' Report*, p. xlviii.)

Thus the Act of 1844, instead of being a Complement to the Act of 1819, according to the boast of Sir Robert Peel and Sir Charles Wood, would, if its provisions were inflexibly carried out, be a distinct source of danger to the maintenance of specie payments.

But the most extraordinary of the consequences flowing from the double or two-fold mistake which I have pointed out consists in this: namely, that the restrictive regulation prompted by distrust of the prudence of the Directors applies to that Department of the Bank which was, and continues to be, independent of their management; while it is clear to demonstration that, whatever of injurious influence on credit, on prices, and on trade and on the foreign exchanges, have been ascribed to the improper exercise of the discretion of the Directors previously to 1844, has existed in an equal and, I will venture to add, in a much greater degree, since the passing of the Act of that year.

As a general proposition, it may be laid down, and has been shown, that the Issue Department is (as it was before 1844) *acted upon by* the Public;—while the Banking Department continues (as it did before 1844) to *act upon the Public*.—Thus producing a result *the very reverse* of that contemplated by the propounders of the scheme of separation. If, then, the due regulation of the currency, in any intelligible sense of the expression, depends, as it undoubtedly does, upon the Banking Department and

not upon the Issue Department, it is the height of inconsistency to restrict the latter, and to leave the former wholly at the discretion of the Directors.

This vital question of the separation of Departments was pressed upon Lord Overstone in the course of his examination before the Commons' Committee of 1848, and as will be seen from the following extract; even his extraordinary power of exposition, and his intimate knowledge of the subject did not enable him, in the course of an elaborate reply to a question by Mr. Wilson, to do more than defend the separation, by reasons in which subtlety is the predominant feature. The only real point at issue he expressly concedes; namely, that supposing the Bank Directors to act with prudence, the management, with or without the Act of, 1844 would be the same.

The Question is as follows:—

"5206. Seeing that formerly the Bank was obliged to pay its Notes in Bullion, if the Bank had paid proper attention to the obligation that it had to pay those Notes and not to stop payment, would not the Bank's holding at all times a sufficient reserve of Gold, practically have had the same operation upon the action of the Bank as the operation of the Act of 1844?"

And the answer is:—

"The gist of the question turns entirely upon the supposition involved in it, viz., that the Bank paid proper attention to the obligation which it had to pay its Notes; *and under that supposition it is perfectly true that the operation would have been the same as under the Act of* 1844; and that at once brings out the distinction between the Act of 1844 and the previous system. The Act of 1819 ordained specie payments, but it took no measures towards securing or carrying out that ordinance. Then the Act of 1844 rendered compulsory the measures which were necessary for securing the convertibility of the Notes; if, therefore, you put a case which involves the supposition that the Bank previously did all that it was right for them to do to carry out the Act of 1849, then, upon that supposition, the course of things preceding the Act of 1844 will be identical with the course of things under the Act of 1844; but we had repeated experience that that could not be relied upon, and that the Bank repeatedly failed in doing what was wise and necessary, and that caused the passing of the Act of 1844.

"5207. Then the Act was passed with a view to make the Bank of England do, under the Act of Parliament, that which they had not formerly done in the exercise of a wise discretion?—*It was passed for the purpose of securing by law the proper course being taken for protecting the convertibility of the Note, which we had found, by previous experience, could not be safely entrusted to any discretionary custom.*"—(*Commons' Report*, 1848).

Now, surely, if the only effect of all this apparatus of restriction by law has been to compel the Bank Directors to be more prudent in their management, two questions arise: (1.) Whether it has produced that effect; to which question Lord Overstone's own severe animadversions on the conduct of the Directors in 1847 furnish a distinct answer in the negative; and (2.) Whether, as the object of the restriction was merely to produce the same effect on the Circulation, as would have been produced if the Directors had been as provident and judicious in their management as they might and ought to have been; the simple and proper course would not have been for Sir Robert Peel, instead of meddling with the circulation,—a matter which he did not understand,—to have applied himself to improve the constitution and composition of the Administrative Body of the Bank. In the one case his admirable skill in framing administrative machinery would in all probability have produced a useful measure; in the other case he had with him no guide, but a plausible theory on a difficult subject, the bearings and intricacies of which he had not mastered.

It is to me perfectly inconceivable how men of the intelligence of Sir Robert Peel and Sir Charles Wood could, after the experience of 1847 and the evidence taken by the Committees on Commercial Distress, have entertained the opinions which they expressed in the debate of 22nd August, 1848, to the effect;—that by the operation of the Act of 1844, all discretion in the regulation of the cur-

rency had been withdrawn from the Directors of the Bank. Now I have never been able to discover, and should be glad if any one would point out to me, in what way and in what degree the Directors have had less discretion or control in the regulation of the currency since 1844 than they had before. It has been shown, for example, to demonstration that the amount of the Circulation, that is of Bank notes in the hands of the public, has been since 1844 determined by the same causes, viz., the wants and convenience of the public for that description of circulating medium, as it had been previously to that date.

In what way, it may then be asked, is the currency less under the regulation of the Bank Directors since 1844 than it was previously? Was there any other method previously to 1844 by which the Bank acted upon the money market, and the state of credit, than by its sales and purchases of public securities, and by its rate and conditions of discounts and loans? So far from its being the fact, as so strangely asserted by Sir Robert Peel and Sir Charles Wood, that the regulation of the currency has been withdrawn from the power of the Bank Directors, there has since 1844 been a more direct and frequent exercise of their discretion in the way of regulation, according to any intelligible sense of the word regulation, than there was before the Act of that year.

To take only one patent fact: — In consequence of its having been considered to be in the spirit of the Act that, since the management of the circulation had been withdrawn from the Directors they had nothing to do but to consider the interest of their proprietors; and, as far as consistent with that interest, the accommodation of the public, they immediately on the passing of the Act abandoned their former practice of a minimum rate of discount of 4 per cent. and reduced it to 2½ per cent.; with

the subsequent frequent changes to be noticed hereafter.

The opinion of the public how far the regulation of the currency has been withdrawn from the Directors, may be gathered from the anxiety, so frequently expressed, and sometimes so intensely felt, on the Stock Exchange and in the money market, to learn the decision of the Directors on the breaking up of the Courts on Thursdays. If there was no other proof of the imperfect knowledge possessed, and the very confused views entertained, by Sir Robert Peel on the subject of the currency, which he had so dogmatically dealt with, it would be sufficient to refer to his speech on the 22nd of August, 1848. And the speech of Sir Charles Wood in the same debate, exhibited a nearly equally confused view of the power or discretion of the Bank Directors in the regulation of the currency; —and yet these speeches were delivered after the calamities of 1847 and the evidence of 1848!

SECTION 14.

The alleged Distinction between Liability arising from Circulation and Liability arising from Deposits.

But, if the advocates for the Act of 1844 had been consistent, there ought to have been a restriction on the amount of Securities in the Banking Department and a specific appropriation of gold beyond a certain amount of securities; analogous to the reserve of a specific amount of gold against a specific amount of circulation in the Issue Department: or, failing arrangements like these, there should have been a Minimum Rate of Interest on discounts and advances. Not that I would recom-

mend this or any other analogous restriction to be imposed by law. I only mean to say that there would have been *some* sense in a restriction of this kind, while there is *no* sense in the existing restriction.

The rule or principle which was propounded by Mr. Horsley Palmer, and explained in the luminous evidence which he gave before the Committee on the Bank Charter in 1832,—a rule which was successfully acted upon during the period he filled the chair as Governor,—was that of keeping the Securities, as nearly as might be, of a uniform amount. This rule for the management of the Bank met with general approbation when it was first brought to the notice of the public; and it continued to be regarded as a guide in the management until 1834, when, in an evil hour, it was departed from. The departure from the rule on that occasion was, in every point of view, unfortunate. I have given an account at considerable length, in a former publication*, of the circumstances under which that departure took place, and of the evil consequences which followed; and to that account I refer.

I now notice the subject simply for the purpose of pointing out that the departure from Mr. Palmer's rule in 1834 had the effect of throwing discredit upon the principle of it, without that principle having had a fair trial.† The rule had the merit of being applicable to the liabilities of the Bank in all

* History of Prices, vol. iii.

† Some of the witnesses whose authority seemed to carry great weight with the Committee on Banks of Issue in 1840, expressed opinions disparaging of the rule; and nearly the only recommendation of the Committee, on the abrupt termination of its functions by the dissolution of Parliament in 1841, was, that the Bank should no longer consider itself to be bound or to be guided by that rule or principle of management.

its departments; whereas, the rule adopted by the Bank in 1840, and erected into a law in 1844, applied to only a part of its liabilities, and to *that* part which was less exposed to a sudden and great drain than any of its other classes of obligations.

On this point;—namely, the greater or less liability of the two Departments to demands upon them—an opinion of considerable importance was expressed by Mr. Norman in his evidence before the Committee of the House of Commons on Banks of Issue in 1840. The following is an extract:—

"2227.—Does it not follow from that answer that the proper and simple rule by which the Bank would regulate its Bullion would be to have reference to the Circulation alone?—*My opinion is that almost all the Bullion should have reference to the Circulation alone. To provide for its Deposits, the Bank of England, like any other Bank, would require a small amount of coin.*

"2228.—Is it the fact that there is a certain portion of Deposits which the Bank in no reasonable way can contemplate being called upon to pay in Bullion on any occasion of pressure?—A Deposit, when withdrawn, is nominally paid in the first instance in Notes, and those Notes may be exchanged for Bullion at the will of the holder. I presume the Deposits of the Bank differ very greatly in character, and that there are some portions of them that are very little affected by pressure.

"2229.—Is that a considerable portion?—I cannot say what the proportion is.

"2230.—If it should be a considerable portion, would it not be a totally inapplicable rule which should at all apportion the reserve of Bullion to that portion of the Deposits?—*I have already given it as my opinion that the reserve of Bullion ought to be considered almost wholly applicable to the Circulation.*"—(*Banks of Issue*, 1840.)

Now, if that opinion was participated in by a majority of his colleagues in the Direction, it accounts for the exclusive attention paid by them to provide a security for the convertibility of the Circulation without any care for the Deposit Department; and explains the grounds for their adoption of the experimental rule of 1840. But then the facts of the case prove that that rule was founded upon an ex-

traordinarily mistaken view; inasmuch as it is in proof that the liability to demands for gold is much greater in the Banking than in the Issue Department; and it is no wonder that the whole scheme, framed in accordance with that view, should have failed so entirely to accomplish the objects proposed by it. This statement is borne out by the tables at pp. 81-2. seq., which show both the different direction of the demand for Gold in the two departments; and the greater demand in the Banking, compared with the Issue Department.

The distinction of the Two Classes of Liabilities might constitute a sufficient ground for appropriating, as a mere matter of account and experiment, distinct portions of Bullion as reserves against each description of liability; but as regards the rule adopted by the Directors in 1840 with a view to such appropriation, it seems to have been an offspring of the doctrine of the Currency Principle, which required that the amount of the Note Circulation should follow every variation in the quantity of Gold. In truth, however, the mode adopted was in the nature of an inversion of the rule prescribed by the Currency Theory; *for, instead of acting directly upon the Circulation so as to make the amount of Notes follow the variations in the quantity of Gold, the operation of the Rule and that of the Law was, and is, to make the quantity of Gold follow the Notes;* so that every increase of demand by the public for Bank Notes is, and must be, satisfied out of the reserve in the Banking Department, which, in its *rationale*, is gold.

So strong are the grounds for a conclusion the opposite of that which has been come to by the Currency School, that, supposing that two large Banking Establishments had originally been founded in a separate state, the one similar to the present Issue Department the other to the Banking Department, a correct view to the respective interests of

the proprietors, and to the convenience of the public, would have led to the proposal of an amalgamation.

The union of functions, instead of being incongruous and incompatible, as—most gratuitously, without authority or proof from experience or reasoning—they are held to be by the Currency School; would, in truth, be eminently conducive to congruity of interests, and harmony or perfect compatibility of action. On the one hand, a separation of functions necessarily renders the action of the two Departments antagonistic; inasmuch as any circumstance leading to an increased use of Bank Notes by the public is felt as a drain of gold (gold in this case being the same as notes) on the Banking Department; and if this increased use of Bank Notes should coincide with an export of gold, the reserve of the Banking Department would be operated upon by a twofold force; and while the Issue Department is gorged with gold, the Banking Department is liable to perish from exhaustion. On the other hand, by the Union of departments, an evil of this nature, and attended by circumstances so absurd and disastrous, could not occur.

But if the reason for the rule had been established upon unquestioned authority, instead of being so doubtful and objectionable as it has proved to be, it was the height of folly to erect into a positive and inflexible law, a rule which, in the nature of things, must inevitably require periodical revision, modification, or suspension.

The very fact stated in the evidence of the Governor of the Bank as the ground for the experimental rule which had been adopted in 1840, namely,—that the Circulation was acted upon by one principle or law, and the rest of the Liabilities by another,—ought, according to any correct rule of reasoning, to have led to a practical conclusion

the very reverse of the policy which dictated the separation of the two departments.

The arguments *à priori* which, previously to the passing of the Act of 1844, I adduced for the purpose of showing the greater liability to frequent and violent transitions in the state of credit, and in the rate of interest, which would attend the management of the Bank of England in a Divided, than in an Undivided, state of the two departments, have been abundantly confirmed and exemplified by the actual working of the measure since its enactment to the present time.

SECTION 15.

The frequent Alterations of the Minimum Rate of Discount of the Bank of England.—Comments thereon of the Lords' Report.

The variations in the Bank Rate of Discount since the Crisis of 1847 have been nearly as frequent as they were in the period noticed in the Lords' Report (section vi.).

From 8 per cent. at the close of October, 1847, it was reduced to 6 per cent. on the 2nd; and to 5 per cent. on the 23rd December of that year.

It was thenceforward reduced by successive steps until the 22nd April, 1852, when it reached the *lowest* rate of 2 per cent. It continued at 2 per cent. till the 6th January, 1853. It was then raised to 2½ per cent.; and further advanced thenceforward by steps or stages of ½ per cent. each till the 11th May, 1854, when it reached 5½ per cent. That rate was continued for a short time only, and was progressively reduced to 3½ per cent. on the 14th June of the present year (1855).

The number of variations during the fall from 8 per cent. to 2 per cent. was Ten; and during the subsequent fluctuations to the present rates of 6 and 7 per cent. the number has been Sixteen, making the total of the variations in the rate during the entire period from 25th October, 1847, to December, 1855, Twenty-Six; and the total number from the passing of the Act of 1844 to this time no less than Forty.

In these frequent alterations the Directors have been acting no doubt in conformity with what they have considered to be the spirit of the Act of 1844; and in obedience to the exhortations of the author of that measure. Whether this system of a wide range of fluctuation, and of frequent changes between the extremes, be more profitable to the Bank than a more uniform Rate, is a question upon which it would be presumptuous in any one not being a Director to offer an opinion. But that it is inconvenient and injurious in a public point of view, on the grounds stated in the extract already given (page 83. seq.) from the Lords' Report, I think there can be no reasonable doubt.

The transition from a High to a Low;—and especially from a Low to a High;—Rate of Discount, is always attended with some degree of inconvenience, and with a disturbance more or less of existing arrangements. Such transitions are inevitable as a consequence of the infinite variety of circumstances, commercial and political (including under the former the effects of vicissitudes of the seasons), which are calculated to influence the demand for the use of capital; and it is quite impossible for the Bank or any other institution to exercise any *permanent control* over the rate paid for the use of it, a rate of course determined by the law of supply and demand. This is true:—but it is nevertheless the precise fallacy of the plea usually adduced in justification of the conduct of the Bank on every

occasion on which the propriety of its announced alterations is canvassed and questioned; for it is beyond question, that in the large majority of instances the movements of the Bank in respect of its rate of interest are attended with very *perceptible*, although they can be only *temporary*, effects.

Of this there can be no better proof than the anxiety manifested on the Stock Exchange and by the money dealers, on every occasion when a change is expected, to learn the determination come to at the breaking up of the weekly meeting of the Court of Directors on the Thursday. And the moral effect of the course adopted by the Bank on such occasions is frequently much greater than might be expected from a consideration of the mere difference in the rate. But it is chiefly when the reduction on the one hand is much below, or the advance on the other hand much above, their usual rate; that in the one case it inspires undue confidence, leading to overtrading and speculation and to an unsound state of credit; and, in the other, that it gives rise to excessive alarm tending to terminate in panic. For example, it has been abundantly shown, in a multitude of forms, that the Act of 1844 was instrumental in aggravating or intensifying the tendency which from other causes existed to each of these extremes in the interval between the date of its enactment and the latter months of 1847.

There cannot I think be a reasonable doubt but that the reduction of the Bank Rate of Discount on the passing of the Act from 4 per cent., which had been its previous minimum, to $2\frac{1}{2}$; and the continuance of a rate so low as 3 per cent. during a great part of 1845 and 1846 contributed to increase and extend the spirit of enterprise, and the railway mania and the overtrading, especially in the East India trade, which marked that period.

This view of the effects of the reduction of the

Bank rate is thus noticed by the Lords' Committee: —

"The effect of a Low Rate of Interest could not fail to give a great additional stimulus to Speculation of all kinds. It could not but have augmented the facility of forming joint stock companies for Railroads and other purposes. In the former case it has acted the more effectually, as the Bank of late adopted a practice of investing its capital in railway securities. The sum of 2,481,000*l.* was so invested; and these securities seem by the Bank to have been substituted for the floating debt of the country. In 1844 the greatest investments of this kind took place.

"The proceeding is the more questionable when it is considered that the Governors, in describing the causes of the Commercial Distress, have informed the Committee that 'one cause of the distress is that many of those parties have been dealing in railway shares; the capital which they ought to have kept in their business they have put out in expectation of realising at a profit; but railway shares have become nearly unsaleable, and their capital has been locked up.' Although a distinction undoubtedly exists between the Railroad Debentures purchased by the Bank and the Shares of Railway Companies, yet it is evident that the purchase of these securities by the Bank of England must have given a high sanction and an effective stimulus to those very undertakings which the Committee find are afterwards referred to among the causes of the Commercial Distress."—(*Lords' Report*, 1848, p. xxxvi.)

SECTION 16.

Consequences arising, since 1847, *from the frequent Alterations of the Minimum Rate. — State of Credit in* 1852.

A brief examination of the experience of the operation of the Act since 1847 will afford sufficient grounds for believing that it has been instrumental in producing a tendency similar to that so distinctly stated in the passage just given, from the Lords' Report; although with a mitigated

degree of development in consequence of a difference in the attendant circumstances.

I think it in the highest degree improbable that if the Act of 1844 had not been passed, the Directors would have ventured to reduce their rate of discount as they did in April 1852, to 2 per cent.; and their charge for advances to so low a rate as 1½ per cent.* But the reduction was in this instance, as it had been in 1844, in accordance with the maxims of the School of the Currency-principle, and with the exhortations of Sir Robert Peel.

Without entering into the question how far this reduction on the part of the Bank was, or was not, justifiable and expedient; it can hardly fail of being admitted on a view of the circumstances which followed, that these Low Rates of interest and discount were tending to generate an unsound state of credit. There was not, indeed, any one great or absorbing speculation such as in the case of the railway mania. But the state of things in Australia, connected with the marvellous gold discoveries, presented a field for speculative enterprise, not equal indeed to that of the railways in 1845, but still of great extent; and innumerable schemes started up, many of them in connection with the Australian trade, besides numberless others, involving altogether a great actual, and still greater prospective, outlay of Capital.

In the autumn of 1852 the prevalence of extensive and hazardous Speculations in the Shares and Scrip of projected companies of various kinds, attracted considerable attention, and excited in many quarters proportionate alarm. From an elaborate classification in one of the Morning Jour-

* It appears, by Parl. P. 342., 54, that in the Quarter ended 5th July, 1852, the Bank made advances on Exchequer Bills, Bills of Exchange, and India Bonds, to the extent of 1,146,000*l.* at rates of 1½ to 2 per cent. per annum.

nals*, November, 1852, of the various schemes announced in London from the 1st June to 31st October, of that year, I extract the following statement:—

"In a table appended we have endeavoured to give a list, arranged in seven classes, of the Joint Stock Companies of various kinds — Railways, British and Foreign;— Banks, Colonial and Foreign;—Mines;—Navigation;—Emigration;— and Miscellaneous Companies; prospectuses and announcements of which have appeared in London between the 1st June and the end of October of the present year (1852). What is the general result? The result is, that in Four Months there have been *one hundred and fifty-three* bubble companies announced in London, and more or less completely formed in this country. The rate, therefore, at which these companies have been formed since the 1st June is *thirty-eight* a month, or more than one a day.

"In the present state of the speculation it is of more importance to fix attention on the speed at which it is going forward, and the extremes to which it is manifestly proceeding, than to separate minutely the good projects from the bad, or to endeavour to ascertain how much of the nominal capital of 41,739,000*l.* announced in the prospectuses is ever likely to be called for from the subscribers.

"If it was necessary to insist on these latter points, it would be easy to show that of the 10,215,000*l.* proposed to be spent on British railways;—of the 17,204,000*l.* required for Foreign Railways;—and of the 9,490,000*l.* required for Banks, Mines, Navigation, Emigration, and other Companies, a considerable part will never be called for, because the weakness or absurdity of the schemes will ensure their failure. . . .

"But speculation has not been confined to Joint Stock Companies merely; *Foreign Loans* for the first time since 1824, have again become favourite subjects of purchase in London; and it appears by a table given that the amount of Foreign and Colonial Loans, wholly or in part negotiated in London since June, 1851, is not less than 7½ Millions Sterling. The favour with which these Foreign Loans have been received, coupled with the strong disposition to encourage the more hazardous kinds of joint stock adventures, such as foreign mines, foreign railways, foreign canals, and other companies depending on foreign returns, is, perhaps, the most alarming circumstance connected with the present speculation."

The absorption of floating capital arising from

* The Morning Chronicle of November 2. 1852.

the causes here stated was, after an interval just long enough to inspire undue confidence in a continuance of the easy state of the money market; and to induce accordingly a great extension of speculative enterprise; attended with a progressive rise in the market rate of interest; a rise with which the Bank hardly kept pace*, in the progressive advance of its minimum rate of discount from 2 per cent. to 2½ per cent. in January 1853; and at length to 5½ per cent. on the 11th May 1854,—being a period of little more than sixteen months; in the course of which there had been seven alterations and a total rise of 3½ per cent. in the rate; or to a point not less than nearly threefold of what it had been in 1852.

And as the Low Rate prevailing in 1852 had inspired undue confidence, the comparatively High Rate which prevailed in 1854 created considerable uneasiness, which required but a slight increase to be converted into alarm and panic. This state of feeling was manifested by the crowds at the doors of the Bank, similar to those which assembled there at the close of 1846; when the Times in an article which I have elsewhere quoted, remonstrated with the anxious expectants on the folly of attaching importance to the movements of the Directors, since the control of the Circulation had been taken out of their hands by the Act of 1844. During the latter stages of the rise in the rate of interest in 1854 several small currency tracts appeared, some in the form of printed letters addressed to the Chancellor of the Exchequer, expressive of apprehension of coming pressure; and calling attention to the expediency of modifying the Act of 1844. And there appeared to be reasonable grounds for the apprehensions so expressed.

The Reserve in the Banking Department had

* This is one among other reasons against the policy of reducing the minimum to so low a rate.

fallen from 12 Millions, at which it stood on the 22nd April, 1852, and from 11½ Millions on the 30th October, 1852;—to 4½ Millions on the 11th May, 1854. Looking, therefore, to this great reduction of reserve, and to the consequent necessity which the Directors would feel themselves under, if the drain continued, of adopting still more stringent measures of counteraction, it is not to be wondered at that great uneasiness should have been felt on the occasion; for there is every reason to believe that, if the drain had proceeded a little further so as to have brought the Reserve down to a fraction more than 3 Millions; and the Directors had consequently felt themselves compelled to raise their minimum rate to 6 per cent. or upwards; the pressure on the money market in May, 1854, would have nearly equalled that which occurred in April, 1847. But a favourable change in the position of the Bank took place immediately after the first week in May. The Reserve, in consequence of large arrivals from Australia, was replenished; and, by the 3rd May, 1855, the minimum rate of discount was reduced to 4 per cent.;—and on the 14th June following to 3½ per cent.

SECTION 17.

Statements in Detail of the Condition of the Bank of England, at the Dates of the Fifty Alterations of the Rate of Discount which have occurred under the Act of 1844.—*Comments in* 1848 *of the Lords' Report.*

One of the fairest and most effective modes of exhibiting the operation of the Act of 1844, will be to state, in the simplest form;—First, the dates and conditions of the several alterations of the

Rate of Discount which have taken place; and Secondly, to give an abstract of the position of the Banking and Issue Departments, at the periods when each of these alterations was adopted.

These Statements naturally divide themselves into two parts; namely (1.), from the commencement of the Act in September, 1844, to the suspending letter from the Treasury of 25th of October, 1847; and (2.), from the latter date to the present time. The following, then, are the Statements:—

BANK OF ENGLAND. — *STATEMENT of the GENERAL TERMS of the FIFTY ALTERATIONS in the RATE of DISCOUNT which have taken place from the Commencement of the BANK CHARTER ACT in September, 1844, to December, 1856.*

(I.) *Fourteen Alterations from September, 1844, to the Treasury Letter of 25th October, 1847.*

Date.	Per Cent. per Ann.	Terms of Notice.
1844, 5 Sep.	... 2½	... Minimum Rate, 95 days Bills.
1845, 16 Oct.	... 3	... „ „
„ 6 Nov.	... 3½	... „ „
1846, 27 Aug.	... 3	... „ „
1847, 14 Jan.	... 3½	... „ „
„ 21 „	... 4	... „ „
„ 8 Apl.	... 5	... „ „
„ 15 „	... 5	... Omitting all mention as to term of bills.
„ 2 Aug.	...5, 5½, 6	... Five per cent. on one month bills; 5½ on two months bills; 6 above two months.
„ 5 „	... 5½	... Minimum Rate.
„ 2 Sept.	... 5	... On Loans till 14th October.
„ 23 „	... 5½, 6	... Five and a half on two months bills; 6 on three months.
„ 1 Oct.	... 5½	... On everything falling due before the 14th October, and total refusal to advance on Public Securities.
„ 25 „	... 8	... Minimum Rate under Government Letter.

(II.) *Thirty-six Alterations from 25th October, 1847, to December, 1856.*

Date.	Per Cent. per Ann.	Terms of Notice.
1847, 25 Oct.	8	Minimum Rate, 95 days Bills.
„ 22 Nov.	7	„ „
„ 2 Dec.	6	„ „
„ 23 Dec.	5	„ „
1848, 27 Jan.	4	„ „
„ 15 June	3½	„ „
„ 2 Nov.	3	„ „
1849, 22 Nov.	2½	„ „
1850, 26 Dec.	3	„ „
1852, 2 Jan.	2½	„ „
„ 22 Apl.	2	„ „
1853, 6 Jan.	2½	„ „
„ 20 „	3	„ „
„ 2 June	3½	„ „
„ 1 Sep.	4	„ „
„ 15 „	4½	„ „
„ 29 „	5	„ „
1854, 11 May	5½	„ „
„ 27 July	5	„ „
1855, 5 Apl.	4½	„ „
„ 3 May	4	„ „
„ 14 June	3½	„ „
„ 6 Sep.	4	„ „
„ 13 „	4½	„ „
„ 27 „	5	„ „
„ 4 Oct.	5½	„ „
„ 17 „	6 & 7	Six per cent. for bills at or under 60 days; 7 per cent. for bills of from 60 to 95 days; bills of more than 95 days inadmissible.
1856, 22 May	6	For Bills of all terms.
„ 29 „	5	Minimum Rate, 95 days Bills.
„ 26 June	4½	„ „
„ 1 Oct.	5	„ „ The alteration made on *Wednesday.*
„ 6 „	6 & 7	Six per cent. on Bills under 60 days; 7 per cent. on bills of 60 to 90 days; alteration made on a *Monday.*
„ 16 „	„	Refusal to advance on any Government Securities, except Exchequer Bills.
„ 13 Nov.	7	Minimum Rate, 95 days Bills.
„ 4 Dec.	6½	„ „
„ 18 „	6	„ „

BANK OF ENGLAND. — *ABSTRACT of ASSETS and LIABILITIES at the Dates of each of the FIFTY ALTERATIONS of the MINIMUM RATE of DISCOUNT which have taken place during the Eleven Years and a Half from the Commencement of the Operation of the BANK CHARTER ACT in September,* 1844, *to December,* 1856.

(I.) *Fourteen Alterations, from September,* 1844, *to Treasury Letter of 25th October,* 1847.

1	2	3	4	5	6	7	8	9	10
MINIMUM RATES.		ASSETS.					LIABILITIES.		
		BULLION.			SECURITIES.		DEPOSITS.		
Dates.	Rate.	Bank Dep.	Issue Dep.	Total.	Public.	Private.	Public.	Private	Circulation (incl. B. P. Bs.) in hands of Public.
	Per Cent. per Annum.	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £
1844, 5 Sept.	2½	9·03	6·18	15·21	14·55	7·28	3·63	8·64	21·21
1845, 16 Oct.	3	5·93	8·26	14·19	13·20	13·50	4·49	9·83	23·38
„ 6 Nov.	3½	5·95	7·77	13·72	13·20	13·68	5·34	9·13	22·89
1846, 27 Aug.	3	9·93	6·43	16·36	12·96	11·84	7·14	9·16	21·31
1847, 14 Jan.	3½	7·27	6·68	13·95	12·76	13·89	5·03	10·34	21·67
„ 21 „	4	6·84	6·60	13·44	12·76	13·93	4·67	10·35	21·55
„ 8 Apl.	5	3·46	6·41	9·87	13·57	17·59	4·98	11·26	21·39
„ 15 Apl.	5	3·08	6·25	9·33	11·67	16·56	3·01	10·00	21·15
„ 2 Aug.	5, 5½, 6	4·44	4·89	9·33	11·63	15·18	4·50	8·31	19·71
„ 5 Aug.	5½	4·56	4·69	9·25	11·66	15·75	5·57	7·88	19·50
„ 2 Sep.	5½	4·75	4·21	8·96	11·63	16·96	7·72	6·79	19.05
„ 23 Sep.	5, 6	4·70	4·08	8·78	11·63	19·46	9·45	7·48	18·90
„ 1 Oct.	5½	3·85	4·71	8·56	11·66	20·71	9·33	7·96	19·57
„ 25 Oct.	8	1·99	6·32	8·31	10·89	18·92	4·76	8·58	21·26

NOTE. — In the above table the four figures at the unit end are omitted; thus 9·03 represents 9,030,000*l.*

The Circulation (col. 10.) includes Bank Post Bills, in order to render that part of the Table conformable to that which has always been the mode of stating the amount of Bank of England Circulation in the hands of the Public.

The amount of *Notes* merely, is shown by (col. 4.) the Bullion in the Issue Department, inasmuch as down to 7th Dec. 1855 the figures in that col., added to the fixed sum of 14,000,000*l.*, represent the *Notes* outstanding. After the 7th Dec. 1855, the fixed Issue became 14,475,000*l.* Thus, on the 17th Oct. 1855, the *Notes* outstanding were 20,370,000*l.* (*i. e.* 14 + 6·37), and 980,000*l.* *Bank Post Bills* made up the total circulation of 21,350,000*l.* (21·35).

(II.) *Thirty-six Alterations from Oct.* 1847, *to Dec.* 1856.

1	2	3	4	5	6	7	8	9	10
MINIMUM RATES.		ASSETS.					LIABILITIES.		
		BULLION.			SECURITIES.		DEPOSITS.		Circulation (incl. B. P. B.) in hands of Public.
Dates.	Rate.	Bank Dep.	Issue Dep.	Total.	Public.	Private.	Public.	Private.	
	Per Cent. per Annum.	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £
1847, 25 Oct.	8	1·99	6·32	8·31	10·89	18·92	4·76	8·58	21·26
„ 22 Nov.	7	4·72	5·29	10·01	10·63	18·24	7·22	7·86	20·18
„ 2 Dec.	6	6·25	4·78	11·03	10·94	17·52	7·80	8·44	19·67
„ 23 Dec.	5	8·23	3·76	11·99	11·00	16·60	8·76	8·60	18·61
1848, 27 Jan.	4	8·24	5·15	13·39	11·55	13·77	4·17	10·77	20·04
„ 15 June	3½	10·79	3·38	14·17	12·09	10·59	5·91	9·16	18·39
„ 2 Nov.	3	8·85	4·56	13·41	12·77	10·25	2·61	10·79	19·60
1849, 22 Nov.	2½	12·37	4·01	16·38	14·34	9·10	8·10	9·45	19·11
1850, 26 Dec.	3	10·39	4·57	14·96	14·23	13·91	11·02	9·15	19·83
1852, 2 Jan.	2½	12·27	5·29	17·56	13·29	11·66	9·45	9·37	20·53
„ 22 Apl.	2	11·99	7·60	19·59	13·34	10·44	3·00	14·47	22·81
1853, 6 Jan.	2½	10·40	9·37	19·77	13·87	14·47	5·77	14·31	24·85
„ 20 „	3	9·93	9·47	19·40	13·83	13·62	5·00	13·73	24·91
„ 2 June	3½	8·83	9·42	18·25	13·12	14·08	4·63	12·90	24·81
„ 1 Sept.	4	8·02	8·48	16·50	12·77	14·00	4·70	11·02	23·91
„ 15 „	4½	7·44	8·42	15·86	12·53	16·18	6·01	11·05	23·86
„ 29 „	5	6·84	8·77	15·61	12·34	18·57	6·74	11·89	24·22
1854, 11 May	5½	4·63	7·98	12·61	12·57	14·19	2·34	10·69	23·14
„ 27 July	5	6·97	6·51	13·48	11·77	13·06	2·30	11·12	21·55
1855, 5 Apl.	4½	9·27	5·82	15·09	13·03	13·10	6·01	11·40	20·72
„ 3 May	4	9·45	6·17	15·62	13·59	12·17	4·34	12·64	21·26
„ 14 June	3½	12·52	5·54	18·06	12·68	11·85	5·59	13·31	20·57
„ 6 Sept.	4	8·07	6·15	14·22	13·03	16·08	7·59	10·97	21·13
„ 13 „	4½	7·98	5·72	13·70	12·80	16·83	7·84	11·15	20·70
„ 27 „	5	6·77	6·17	12·94	12·13	19·36	8·14	11·44	21·17
„ 4 Oct.	5½	5·99	6·29	12·28	11·41	19·24	7·11	10·84	21·30
„ 17 „	6 & 7	4·86	6·37	11·23	10·63	18·24	3·82	11·76	21·35

TABLE, *continued.*

1	2	3	4	5	6	7	8	9	10
MINIMUM RATES		ASSETS.					LIABILITIES.		
		BULLION.			SECURITIES.		DEPOSITS.		Circulation (incl. B. P. B.) in hands of Public.
Dates.	Rate.	Bank Dep.	Issue Dep.	Total.	Public.	Private.	Public.	Private.	
	Per Cent. per Annum.	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £	Milns. £
1856, 22 May	6	5·70	4·86	10·56	12·48	15·30	3·53	11·47	20·07
„ 29 „	5	6·30	5·08	11·38	12·61	13·97	3·69	10·74	20·33
„ 26 June	4½	8·03	5·04	13·07	11·28	14·72	5·70	9·81	20·31
„ 1 Oct.	5	4·33	6·45	10·78	11·46	21·51	7·76	10·32	21·88
„ 6 „	6 & 7	4·07	6·07	10·14	11·38	20·97	8·00	9·85	21·50
„ 16 „	„	3·08	6·68	9·76	11·10	18·98	4·04	10·48	22·14
„ 13 Nov.	7	4·23	5·45	9·68	10·46	18·97	5·11	9·73	20·40
„ 4 Dec.	6½	5·77	4·72	10·49	10·64	17·31	5·87	9·30	20·05
„ 18 „	6	6·47	4·04	10·51	10·87	17·58	6·89	9·49	19·33

In considering these statements the attention is first arrested by the great frequency of the alterations.

During the Three Years from September, 1844, to October, 1847, the rate of discount was altered *Fourteen* times;—and the last six of these alterations took place within the space of ten weeks.

During the Nine Years from October, 1847, to the end of December, 1856, there have been *Thirty-Six* alterations; and it must be borne in mind that at five periods during this term the alterations, or rather the oscillations, have been so rapid as to be not altogether free from the ridiculous.

In 1852, for example, there were Two alterations in three months;—in 1853 no less than Six alterations were compressed into nine months;—and the range extended from 2½ to 5 per cent. In 1855 there were Eight alterations in six months;

and by a zig-zag course the rate passed from 3½ to 7 per cent.; and during the year 1856, there were, in the summer, Three alterations in four weeks; and in the autumn Five alterations in nine weeks.

The variations of the rate of discount, therefore, since October, 1844, and especially during the last three years, have been frequent and violent enough to satisfy the most ardent admirer of those principles of currency fluctuation upon which the Act is founded; and the number and eccentricity of the alterations since 1847, entirely sustain the emphatic reference to this part of the case contained in the Report of the Lords' Committee of 1848.

In the seventh section of that Report, under the title of Unexampled Fluctuations of the rate of Discount since the Act of 1844, the Lords' Committee describe as follows the practice of the Bank as regards its Rate of Discount prior to 1844, and subsequent to that year.

"The earlier practice of the Bank of England had been to discount at a rate nearly fixed and uniform. From 1784 to 16th May 1839 this rate never exceeded 5, nor was less than 4 per cent. In the pressure of 1839 the rate was raised for some months to 6 per cent.; but it was reduced to 5 per cent. in January 1840; and remained at 4 or 5 per cent. as before till after the passing of the Bank Charter Act (7 & 8 Vict. c. 32).

"'Prior to September, 1844,' observes Mr. Horsley Palmer, 'the Bank never reduced the rate of interest below 4 per cent., though there were occasions when the value of money for the discount of bills was as low as 2½ per cent. in the money market.'

"The result of this system your Lordships will perceive must necessarily have been to check that fall of the rate of discount when already low which the active competition of the Bank of England must have produced; and, on the other hand, to check the tendency upwards which would have been the result of a reduction in the number of lenders and of a consequent scarcity of money. In the one case the Bank was kept out of the Discount Market; in the other, it obtained almost the command of that market. In both cases the effect was to produce steadiness and diminish fluctuation.

"This system was abandoned in September, 1844, after the passing of the Act. For the rate of discount already described there has been substituted a rate which fluctuates from time to time. A *minimum* rate has been substituted in the Bank Notices for a uniform one; and a practice has been introduced of discounting bills at the same time at different rates."—(*Lords' Report*, xxxiv.)

But there is a circumstance of no small singularity and interest to be yet considered, in connexion with the numerous changes of the Minimum Rate.

SECTION 18.

The distinct Evidence afforded by the Returns that the Controlling Element in the policy of the Bank has been not the Circulation but the Banking Reserve. —The Pressure in the Money Market of the latter Part of 1855.

It was, and, I presume, still is, the doctrine of the Currency Principle party, for I am not aware of any declarations of altered views, that the governing element of the policy of the Banking Department should be the operation of Influx and Reflux of the Gold, as exhibited in the rise and fall of the amount of Circulation in the hands of the Public. I am fully justified in disregarding the very curious suggestion which I have already mentioned, started some time since, but only to be abandoned as untenable;—that the portion of notes *not* in the hands of the public, but retained within the Bank itself as the reserve of the Banking Department, should be considered to be Outstanding Circulation. This was a suggestion arising out of the perplexity of the upholders of the Act to explain upon their own principles the results constantly presented by the machinery they had set up.

The truth, plain and unmistakable, is that the Circulation of the Bank of England includes nothing more and nothing less than the quantity of notes circulating outside the Bank among the public; and that the Reserve of the Banking Department consists of that portion of the Total Bullion not in the possession of the Department of Issue. Whether the Banking Reserve be as a matter of actual fact, in the form of notes, or of gold and silver, is a circumstance quite immaterial. It is a reserve in all its purposes and functions, a reserve of Bullion.

Now if we place in parallel columns, at the dates of the alterations of the Rate of Discount, the figures which represent the Reserve (of Bullion) of the Banking Department; and the Reserve (of Bullion) of the Issue department it will need no great amount of attention to discover:—

That up to the present time the proceedings of the Banking Department have been as nearly as possible wholly free from the control of that particular element of the rise and fall of the Circulation which was intended to operate with so much constancy and precision; while, on the contrary, the element really powerful, has been the degree in which the policy of the Directors has led to the increase and decrease of the Banking (Bullion) Reserve.

We may refer with advantage to some of the actual cases which support the conclusions stated.

The second of the preceding tabular statements has been formed on the plan described above; and five periods included in that table may be referred to.

Two of these periods are in 1846-7; the third in 1853-4; and the fourth in 1855.

First then;—While there were no less than five alterations of the rate of discount between August 1846 and April 1847; and while, in consequence of the fall of the Banking Reserve from 10 Millions to 3; the condition of the money market had passed

from great ease at 3 per cent., to panic at rates materially above 5 per cent., the Circulation (including Bank Post Bills) did not vary more than 500,000*l.*;—or, measuring the variation within its strictly technical limits, namely, the amount of the Bullion in the Issue Department, the utmost extent of difference during the nine months, was no more than 430,000*l.*

The second period was between August and October, 1847.

During those three months there were Six alterations of the rate of discount; and the extreme panic of October was occasioned principally by the machinery of the Act *producing effects the precise opposite of those which were expected and intended.* For the process which added to the Circulation very nearly exhausted the Banking Reserve, and, regarded merely from a Currency Principle point of view, the preposterous phenomenon was presented of pressure increasing as fast as the means of allaying it according to Currency Principle views—that is, by additions to the Circulation—were supplied. For example:—the Circulation, which stood at 19 Millions in September (1847), had become 21¼ Millions in the third week of October. Between the same dates the Bullion in the *Issue* Department had risen from 4 to nearly 6½ Millions; the additional 2½ Millions being obtained, of course,—for such was the felicity of the plan,—by running down the Reserve of the *Banking* Department from 4¾ Millions to a point of practical exhaustion.

The third case was in 1853-4.—There were Seven alterations of the minimum rate in the period from January, 1853, to May, 1854; and the rate was run up from 2½ to 5½ per cent. Why? Because the Banking Reserve of Bullion fell from 10½ to 4½ Millions. But during this great decline of 6 Millions out of 10, the Circulation did not vary at the

utmost more than 1½ Millions; and until the last of the dates the variation was hardly more than Half a Million.

The fourth example occurred in 1855. Between April and October, 1855, the Banking Reserve varied in amount no less than 8 Millions; — or from 12½ Millions in June ('55) to 4½ Millions in October ('55); — and during the six months, and notwithstanding the *eight* alterations of the rate of discount, the variations in the amount of the Circulation have been under Three Quarters of a Million.

The fifth case occurred in the year just closed (1856). Between June and November, ('56), the Banking Reserve varied in amount 5 Millions, or from 8 Millions to 3 Millions. There were four alterations of the published rates of the Bank, but the Circulation did not fluctuate more than 1¾ Millions.

And not only are there these strong and startling facts connected with the constant and permanent influence of the *Banking Reserve* upon the policy of the Directors; but there are facts, hardly less strong and startling, connected with the magnitude of the *Total* stock of Bullion, even at those periods when, acting under the compulsion of the Act, the Bank has been compelled to employ the most stringent means of repression.

It is scarcely necessary to recall to recollection that down to September, 1847, the Total Amount of Bullion in *both* departments, was considerably more than 9 Millions. Indeed, from January to April, 1847, the amount was in excess of 11 Millions.

An illustration almost equally striking is afforded by the events of the summer of 1853.

Between the 2nd June, and the 29th September, 1853 — four months — the rate of discount was raised by four alterations from 3½ to 5 per cent.;

and when the last of these sudden and somewhat severe operations on the money market took place, the Total stock of Bullion was more than 15½ Millions.

Again;—when on the 11th May, 1854, the reserve in the Banking Department was so reduced as to compel the Directors to raise their rate of discount to 5½ per cent., which was a scarcity rate, the amount of Bullion in the two departments was £12,610,000.

Now, surely, with a stock of bullion amounting to more than 12½ Millions, if the Bank had then been in an undivided state, there would not have been any reasonable ground for raising the rate above 5 per cent. Or, rather, after parting with so large an amount of bullion from the two departments, there was no reason to apprehend such further drain as to require an advance beyond the rate of 4 per cent. Indeed, looking at the circumstances of the whole period from January, 1848, to the Autumn of 1855, I am strongly of opinion that the uniform rate *of Four Per Cent.* might have been preserved, greatly to the convenience, not only of the mercantile and banking community, but of the public generally. At all events, I conceive the reduction below the rate of 3 per cent. to have been, in the strictest sense of the word, *most impolitic;* for there is no one general observation more clearly to be established by a reference to the most signal instances on record of commercial crises, than that, in their earlier circumstances, they were characterised by more than ordinary facilities of credit and of banking accommodation, indicated by a low rate of interest.

And here I may with convenience refer to the peculiar circumstances which distinguished the pressure in the money-market of the last three or four months of 1855, from the pressure of 1847.

The originating cause in both cases was the

same:—namely, a drain upon the Bank for the payment of a foreign balance.

In 1847 that balance was due to America for Corn; in 1855 it was due to the countries surrounding the Seat of War, for Commissariat, and other supplies required by the Army in the Crimea.

I am quite sensible that between these two sources of foreign drain there is a difference, both theoretically and practically, of the broadest and plainest description. The balance due to America in 1847 for the large and sudden importation from thence of Wheat and Indian Corn was speedily adjusted by the influence of a rapidly enlarged export from this country of manufactured goods. The remittances necessary to be made in 1855 to the region of the Levant proceeded on political, not commercial grounds.

It was extremely rash, however, to assume, as was assumed in some quarters, that these vast convoys of specie must continue to be sent from hence, for whatever indefinite period might be occupied by the War, without any hope of a reflux. On the contrary, before the close of 1855, there were manifest indications of a reflux. Rapidity of transit and communication all favoured such a result; and it was scarcely possible to imagine that in countries such as Turkey and Asia Minor, a demand for our manufactures should not speedily recall westward some considerable part of the twenty or thirty millions of treasure which had been carried there by the War.

I am quite sensible that there had been absorptions of capital during 1854 and '55, sufficient to occasion some rise of the Rate of Discount. Nor was the calamity of a deficient Harvest likely to be overlooked.

There had been, therefore, inevitable causes at work of a general nature, all tending to produce an upward direction of the Rate of Discount.

But, on the one hand, between a general prevalence of caution and the absence of any of the undue enterprise engendered by great facilities of banking accommodation;—and, on the other, the occurrence of a feeling in the public mind approximating to panic, and to panic founded on extreme variations in the Bank Rate of Discount;—there is a wide difference. For the caution there had in 1855 been every reason;—for the excitement and the panic there was no cause but the division of the Bank into Two Departments.

What were the facts? It is true that, on one side, there had been the Drain for the War Expenditure;—but, on the other, there had been the enormous influx from the Gold Countries. What would have happened if no such influx had been in progress, is a problem interesting and important enough, but it need not be considered here.

At the commencement of 1855, the total Bullion in the Bank was 15 Millions; in June, when the rate was so absurdly reduced to 3½ per cent., it was 18 Millions; and in September, when the rate was raised to 5 per cent., the Total Bullion was still 12 Millions;—and, during all this time, a Commissariat Drain of a million a month had been in progress. What were the violent variations of the Banking Reserve may be seen by a reference to the table on a previous page; and it may there be also seen how steadily unaffected the Circulation had remained under all the vicissitudes.

Now it is to these violent oscillations of the Banking Reserve; and to the extreme interferences with the Rate of Discount, their inevitable consequence and offspring; that the excitement, the alarm, and the discontent of the public at the close of 1855, were solely traceable.

Apart from the Division of Departments—from the unhappy scheme of 1844;—and with ordinary prudence in the Bank Direction;—the Minimum

Rate of Discount would have remained at four or at the most five per cent. from the early part of 1854; and with such a rate steadily maintained;—with a reserve of treasure at the outset of 16 Millions (those were the figures early in 1854);—and with an annual production of 20 Millions of New Gold in Australia and America;—I venture to affirm that no competent person, practically acquainted with the state of credit in this country, and free from the allegiance of partisanship to any particular theory, will hesitate to describe the apprehension, the distrust, and the suffering of the Autumn of 1855 as a gratuitous infliction of the scheme of legislation set up by the Currency Party.

SECTION 19.

Proceedings in Parliament in the Session of 1856. *—Alterations of the Rate of Discount in the Course of that Year.*

There was some expectation, at the opening of the session of Parliament at the close of January, 1856, that a Committee of Inquiry of one or both Houses would be appointed to inquire into the operation of the Bank Charter Act. It is true that the discussions and the uncertainties of the Autumn of 1855, relative to the policy of the Bank, had, in a great measure, subsided, and that the near prospect of the termination of the War had removed the most extensive cause of disturbance. Still, public attention was prominently directed to the question.

On the 5th February (1856), Mr. Glyn, pursuant to notice, inquired if the Government intended to institute any inquiry into the working and effects

of the Act of 1844. The answer of the Chancellor of the Exchequer (Sir Cornewall Lewis) was to the effect, that Government did not contemplate any inquiry, unless it should appear "to be the "general wish of the House" that a parliamentary Committee should be granted.

On the 28th February following, Mr. Muntz, pursuant to notice, moved — "That a Select Com- "mittee be appointed to inquire how far the "present Monetary System is in accordance with "the requirements of the country, and to consider "whether it cannot be improved and amended."

As might be expected of a motion couched in these terms, and brought forward under such auspices, it was negatived by 115 to 68; and the minority would have been still smaller, if it had not included some members who, while opposed to the Act of 1844, recognised the principle of a Metallic Standard, and were, therefore, in so far opposed also to the views of the mover of the question, who took occasion to introduce into his speech the usual arguments of the Birmingham School against the Act of 1819.

In resisting, however, as they did, the motion by Mr. Muntz, the Government did not attempt to deny the desirableness of inquiry under certain circumstances; and the Chancellor of the Exchequer distinctly admitted "that there are many "parts of the operation of the Act of 1844 which "not only deserve, but require, full inquiry before "a competent authority."

On the 7th April (1856), the Earl of Eglinton revived the subject, by moving, in the House of Lords, for "the appointment of a Royal Com- "mission to inquire into the laws which regulate "the Currency of the United Kingdom." The motion was negatived; but Lord Derby taunted the Government with "resorting to contrivances to "tide over a difficult question, with which they did

"not know how to deal, and to throw upon others "a responsibility which ought to fall on them-"selves."

I entertain very serious doubts of the eligibility of a Commission to investigate such a subject. It may be true that Parliamentary Committees have hitherto conducted such inquiries but imperfectly; but it scarcely admits of doubt that they have afforded a better and more efficient tribunal than could be obtained by any other means.

A short time before the prorogation (21st July, 1856), Mr. Tite, the member for Bath, gave notice that, early in the Session of 1857, he should move for the appointment of a Select Committee to "inquire into the operation, and the effect on the "commercial and financial interests of the country "of the Act 7 & 8 Vict. cap. 32., known as the "Bank Charter Act, with special reference to the "separation of the Banking and Issue Depart-"ments, and the limitation imposed on the Cir-"culation of Notes payable on demand by the "private and joint stock banks in England, "Scotland, and Ireland;" and with this motion awaiting discussion the subject now stands before the Legislature.

At the opening of 1856, the Minimum rates of Discount at the Bank of England remained as they had been fixed on the 17th October, 1855,—namely 6 per cent. for bills at or under sixty days, and 7 per cent. for bills between sixty and ninety-five days. On the 5th January (1856), the Total Bullion was 10½ Millions; and the Private Securities, 20 Millions. The Reserve of the Banking Department was 6 Millions.

On the 22nd May (1856), the minimum rate was reduced to 6 per cent. for all Bills at or under ninety-five days. On the 29th May, — a week later, — the rate was further reduced to 5

per cent.; and on the 26th June (1856), there was a third reduction to 4½ per cent.

Now, on the 22nd May (1856), the Total Bullion was still 10½ Millions — as it had been early in January (1856); — but the Private Securities had fallen nearly 5 Millions, — or to 15⅓ Millions: The Banking Reserve was still 6 Millions.

On the 26th June (1856), when the rate was reduced to 4½ per cent., the Total Bullion had risen to 13 Millions; the Private Securities were still 15 Millions; but the Banking Reserve had risen from 6 to 8 Millions.

During the whole of the six months — January to June, 1856 — the Circulation with the public had been steady at 20 to 20½ Millions.

There was no further change in the Bank rate till the 1st October (1856). On that day the minimum rate was raised from 4½ to 5 per cent.; and, for the first time since 1847, the alteration was made on a special day, namely on a Wednesday.

On the 6th October ('56) the rate was further raised to 6 per cent. for Bills at or under sixty days, and to 7 per cent. when the term was from sixty to ninety days; and this alteration was again made on a special day, Monday.

On the 16th October ('56) it was intimated that the Bank would refuse advances on any Government Securities except Exchequer Bills.

Now on the 1st October, when the rate was raised to 5 per cent., the Total Bullion was 11 Millions, or 2 Millions less than it had been in June; but the Banking Reserve was only 4 Millions, or no more than *one half* the amount at which it stood in June. The Private Securities had risen to 21½ Millions (from 15 in June).

On the 16th October ('56) the Total Bullion had fallen to 9¾ Millions (a diminution of 1¼ Millions from the 1st October); but the Banking Reserve

had fallen to the alarming point of no more than 3 Millions,—that is to say, 5 Millions less than the amount at which it had stood in the June previous; and the consequence was that on the 16th October, '56, the Bank of England presented the striking spectacle of 6 Millions of Treasure locked up in the *Issue* Department for the benefit of the Circulation,—of no more than 3 Millions of Treasure available in the Banking Department for the benefit of the Deposits,—and of a rate of discount of 7 per cent., and a total refusal to advance on Consols.

On the 13th November ('56) the rate was raised to 7 per cent. as a uniform charge; and on that date the Total Bullion was still $9\frac{3}{4}$ Millions; the Banking Reserve had improved to $4\frac{1}{4}$ Millions; but the Private Securities still remained at 19 Millions.

The direction of the alterations of the rate of discount was now reversed.

On the 4th December ('56), three weeks after the rise to 7 per cent., the minimum rate was reduced to $6\frac{1}{2}$ per cent.; and on the 18th December ('56) further reduced to 6 per cent.

On the first of these dates, the Total Bullion had improved about half a million (to $10\frac{1}{2}$ Millions); but the Banking Reserve about $1\frac{1}{2}$ Millions (or to $5\frac{3}{4}$ Millions). The Private Securities were still $17\frac{1}{2}$ Millions.

The general result was, therefore, that, between the 22nd May and the 18th December ('56)—seven months,—there were *nine* alterations of the terms of the Bank's advances;—that the range of those alterations was from $4\frac{1}{2}$ per cent. to 7 per cent. accompanied by a refusal to advance on Consols;—that while the extreme range of the Total Bullion was no more than $3\frac{1}{2}$ Millions, or from 13 Millions to $9\frac{1}{2}$ Millions—a range represented by 27 per cent.—the range of fluctuation in the *Banking Reserve*

was from 8 Millions to 3 Millions, or a range which cannot be represented by less than 63 per cent., and that per-centage, it must be remembered, applying to a comparatively small amount.

The Circulation with the public remained practically so steady that its trifling fluctuations may be disregarded in the argument.

It is clear, therefore, in the experience of 1856 — as in the experience of all the preceding years since 1844, — that the controlling element in the policy of the Bank is the state of the Banking Reserve; and that, bound as the Directors are to manage their vast concerns on the basis of a divided treasure, they have no choice but to resort to sudden, violent, and frequent alteration of the rate of Discount.

I am quite aware that the special circumstances connected with the artificial drain of Gold to the Bank of France, had considerable influence in producing the alterations of the minimum rate in October, 1856.

But there were no special influences at work in the May and June preceding.

The three alterations in the five weeks between the 22nd May ('56) and the 26th June ('56) — alterations which reduced the minimum rate by no less than 1½ per cent.,—were clearly and distinctly the offspring of the system of management set up in 1844. If the Bank had not to vary its rate according to every small variation, comparatively speaking, of its treasure, there would not have occurred a reduction from 6 to 4½ per cent., merely in consequence of an increase of no more than 2½ Millions in the Total Metallic Reserve.

It is difficult to imagine a stronger illustration of this evil state of things, than the abrupt and causeless alterations of the Minimum Rate, first to 7 per cent. on the 13th November, '56, and then to

6½ and 6 per cent. on the 4th and 18th of the following month. It is tolerably clear that the first of the changes — the change to 7 per cent. — was adopted on no well considered grounds.

I may also conveniently here refer to another topic as affected by the result of the researches embodied in these volumes,—namely, the nature of the connection, or, more properly, the want of connection, found to exist during the last Nine Years (1848–56) between the Prices of Commodities, and Fluctuations of the Circulation, and the Rate of Interest.

The examination which has been entered into, in Part II., of the Prices of Produce in the last Nine Years, and the conclusion arrived at, as the result of a very extensive induction of facts, sufficiently establish the negative of the connection, so constantly assumed and asserted as an essential article of the currency creed, to exist between the Circulation and Prices. The examination in Part II. was confined, indeed, to Produce other than Corn; but it is manifest, upon the most cursory view of the Prices of Agricultural Produce*, as exhibited in Part I., compared with the Amount of the Circulation as given in the Tables in the Appendix, that there exists no such connection; and probably, among the most decisive proofs of this want of connection, was the well known and extraordinary instance of a rise of 28*s.* per quarter in the price of wheat in April and May, 1847, notwithstanding the existence of the most severe form of commercial pressure.

* For example, the average price of Wheat for the year 1852 was 53*s.* 3*d.*, and the aggregate average amount of the Circulation of Bank Notes of all kinds in the United Kingdom was 40.330,000*l.* In 1854, the average price of Wheat was 72*s.* 5*d.*, or nearly 50 per cent. higher; and the aggregate Circulation was 38,970,000*l.*, or 1½ Millions lower.

It is equally susceptible of proof that there is no direct or immediate connection between variations in the Rate of Interest, and variations in the Markets for produce.

And I may fairly quote here the seventh and eighth conclusions of Part II. arrived at (page 344, *ante*) as the result of the detailed examination of Prices during the last Nine Years, namely, —

"That in a great number of specific instances, "it can be shown conclusively, that Fluctuations "of Price of the most important kind, and in the "largest markets of the country, took place, either "without the occurrence of any change whatever "in the Bank Note Circulation, or contemporaneously with the occurrence of a change, the precise opposite of that which, on *à priori* grounds, "or on the grounds on which the Currency Theory "is built, would have been expected to precede "or accompany the particular alteration of the "markets."

And lastly, — "That neither is there any such "coincidence between variations in the Rate of "Interest and variations in the Markets for Produce as to justify the inference of a direct connection between them in the relation of Cause "and Effect."

As regards the first of these conclusions, — namely, that referring to the Bank Note Circulation, — it is not necessary to attempt any further illustration. But to the second conclusion, — that which speaks of the Rate of Interest, — it is proper to append one or two observations.

It is perfectly true that the negative of direct influence on Prices applies to both the Circulation and the Rate of Interest, but there is this difference between the two: — that, whereas the amount of the note Circulation has not and cannot have an influence on prices, the rate of interest, although not

immediately operative on prices, is eventually so, inasmuch as it constitutes an element in the cost of production; — a low rate of interest tending to reduce and a high rate to increase the cost of production.

But as the rate of interest acts, and is in its turn acted, upon by the state of credit, an influence on prices may, in certain states of the market, be exercised by the rate of interest through the medium of Credit; for, inasmuch as a higher than ordinary rate of interest supposes a contraction of credit, such goods as are held by means of a large proportion of borrowed capital may be forced for sale by a difficulty in obtaining Banking accommodation, the measure of which difficulty is in the rate of discount, and perhaps in the insufficiency of the security. In this view, and in this view only, a rate of interest higher than ordinary may be said to have an influence in depressing Prices.

A curious instance of the error of the opinion of the immediate connection of the rate of interest with prices, and a specimen of the motives which weighed in high quarters in October, 1847, against obtaining any relaxation of the Act of 1844, occurs in Lord Overstone's Evidence before the Committee of the House of Lords on Commercial Distress in 1848. The witness says (Q. 1597.):—

"The very morning that the suspensory letter of the Government was issued, I received a private letter from a person of great importance, to this effect: —

"'I do not know whether you have any influence with Her 'Majesty's Ministers, but if you have, let me implore you to 'entreat them to be firm in maintaining the Act, — to be firm 'in resisting these applications for relaxation. All the Manu-'facturers in Lancashire are now struggling to resist the im-'properly high price of the raw material; and in support of that 'effort all the operatives are starving, by working short time: 'if any relaxation is given, they will be in a state of exaspera-'tion at the improper interference of the Government, by which

'the high price of the Raw Material will be supported, and 'manufacturing industry checked.'

"That letter reached me the very morning that the letter of the Government was issued; and almost immediately the raw cotton rose in price."

This remark by the witness on the effect of the letter, leads to a false impression. There might have been a momentary and merely nominal advance in consequence of erroneous opinions such as those entertained by the writer of the letter. The real fact however is, that the Cotton market at Liverpool fell progressively from that time, as follows: Bowed Georgia, September, 1847, 6*d.* to $7\frac{3}{8}d.$; January, 1848, $4\frac{1}{8}d.$ to 6*d.*; April, 4*d.* to $5\frac{1}{4}d.$; and in July the price had fallen to $3\frac{2}{5}d.$ to $4\frac{3}{4}d.$; this fall being signally at variance with the expectation of the writer of the letter.

SECTION 20.

The Mischievous Consequences arising from the Resort of the Bank of England to Very Low Rates of Discount.

It is one of the proofs, among others, of the erroneous views entertained by Sir R. Peel (in common, however, with the teachers of the Currency School) of the subject which he dealt with so confidingly, that, in his severe animadversions on the Management of the Bank Directors previously to 1844, he went almost exclusively on the ground of their not taking measures for contraction soon enough. And in several instances doubtless the Directors delayed too long to take precautionary measures. But he and those who with him blamed the Bank for tardiness of precaution; and the Directors who acknowledged the charge of im-

prudence on this point; overlooked the more important error with which the management was chargeable, namely, that of the previously undue reduction of the Rate of Interest; and the too great banking facilities which had preceded the period when the necessity for precautionary measures became urgent.

It is not, as stated by Sir Robert Peel, for their dilatoriness in 1825; and 1836 and 1837; and again in 1839; that the Directors were so much to blame, as they were for their operations in 1824; and again in 1834 and 1835.

The real cause of the difficulty of the Bank in 1825 may be traced to the purchase of the Dead Weight in 1824; and the assistance afforded to Government in the reduction of the Four Per Cents., coinciding as those operations did with a tendency from other causes (which I have before described) to a general spirit of speculation. No measures, however stringent, that could have been adopted when the drain set in would have averted the catastrophe of 1825.

And there cannot be a doubt but that the Low rate of interest at which the Bank made advances of very large sums against the deposits on the West India Loan in 1834 and 1835; contributed to the undue extension of credit in the American trade, and the consequent difficulties in 1836 and 1837; of which the state of things in 1839 might be considered in the light of a continuation and sequel. If, again, the rate of discount had not been so reduced as it was by the Bank in 1844; and kept at so low a rate as it was till the close of 1846; there would not have been the necessity for so great an advance as that which took place in 1847. And, so likewise, if there had not been the reduction to 2 per cent. in 1852; there would not have been occasion for the advance to 5½ per cent. in 1854.

I may with advantage here introduce a passage from the examination in 1848 before the Commons' Committee, of the Governor and Deputy Governor of the Bank. The questioner was Mr. Thomas Baring; and it will be seen with how much staunchness the Governor stated and maintained his adherence to the principle of raising and lowering the rate of discount in a manner the most extreme. The following is the extract:—

"3005. You state that, on the 7th of September, 1844, your interest was reduced to 2½ per cent., previously to that time the general minimum rate of interest had been 4 per cent.? — For a long period of years it had been 4 per cent.

"3006. Do you think that course of lowering the rate of interest to 2½ per cent. is one which, under similar circumstances, the Bank should again adopt? — Under similar circumstances, decidedly.

"3007. Is that upon the principle which you stated, that the object of the Act was to cause the Circulation to expand and contract as Bullion would do?—Raising or lowering the rate of interest has only reference to the state of our reserve in the Banking Department. I consider the two departments to be quite separate; the Issue Department might be in Whitehall, and the Banking Department in Threadneedle-street; our accounts are kept separate, and the notes are kept distinct, under different locks and keys, so that the separation is complete.

"3008. You think that there is no disadvantage in reducing the rate of interest to any minimum? — When the rate of interest out of doors was 1½ to 1¾ per cent., or 2 per cent., if the Bank pretended to act as discounters, it was absurd* to attempt to keep their rate of discount at 4 per cent.

"3009. It would not be the policy of the Bank to remain quiet and passive, and not attempt to get its notes out? — No, it would not; I may state, with respect to the reserve, that I consider that the amount of reserve which the Bank hold naturally has an effect when the notes are out with the public; I am speaking of notes out of the Banking Department; the circulation must be contracted if the Bank holds a large reserve, and money will be dearer than if the Bank employed a large portion of the reserve; if we keep notes in the reserve, instead of giving them out to the public, the effect that ought to be

* If it was absurd on the 7th of September, 1844, was it not equally absurd in July and August, 1844, when the market rate of interest was as low as in September of that year?

produced by gold coming into the country is counteracted; it induces a larger amount of capital to come into the country because you do not allow that portion which has come in to be employed; if you do not put out the gold, or the representative of gold, you entirely prevent it having any effect upon the circulation; the exchange will be kept up, and gold will continue to come in.*

"3010. Do you think it unwise to keep the rate of interest at 4 per cent.? — At the present moment there are peculiar circumstances, and I do think we should be justified in putting down the rate of interest; the rate of interest out of doors is $3\frac{1}{2}$ to $3\frac{3}{4}$ per cent.

"3011. It is entirely a matter of discretion for the Bank? —Entirely.

"3012. You do not think that putting down the rate to $2\frac{1}{2}$ fosters undue speculation? — There is no doubt that when money is extremely plentiful speculation generally arises; but it is not the Bank putting down the rate that makes money cheap; *the Bank cannot keep the rate of interest low for any length of time*†; the Bank has a *certain amount of notes to deal with*; and if the Bank put down the rate of interest lower than the rate out of doors, the Bank's means of giving accommodation would be soon exhausted, and the consequence would be, that other parties would discount without competition with the Bank.

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* This explanation of the theory of the Bank management and of its policy is anything but clearly made out. But, as far as I understand it, I dissent from the theory, and consider the practical application of it on the occasion in question to have been very impolitic in reference to the public. Whether it was more profitable to the Bank is another thing; and, if it was more profitable, it is only an instance among others in which the interests of the Bank and the public may be at variance. It must be admitted, however, that the course pursued by the Bank on this occasion was in conformity with the views of Sir Robert Peel, as expressed in the speeches which I have elsewhere adduced and commented upon, in proof of his imperfect acquaintance with the subject which he had recently legislated upon. There can, I imagine, be no doubt that the greatly increased facilities of banking accommodation in 1844 intensified the spirit of speculation in railways which was then prevalent.

† This is the standing fallacy in the arguments of the Currency School in reference to the Bank management; the real question being, whether the Bank cannot and does not, at particular periods, exercise an influence which may last long enough to be mischievous, and produce a moral effect which may be very injurious.

"3013. When you reduced your rate to 2½ per cent. was not the rate out of doors reduced also in competition with you? — We fixed the rate at 2½ in order not to come into immediate competition with the rate out of doors; and we did not come into competition till the rate out of doors rose to our rate. The discounts in London at the time we fixed that rate were 113,000*l.*; and on the 5th of October they were 139,000*l.*; so that, though we fixed the rate at 2½ per cent. for some considerable period, the discounts did not increase upon us.

"3014. You do not think that lowering the rate of interest to that extent makes a sudden contraction necessary afterwards? —I think not, provided when the market rate of interest rises you follow that rate.

"3015. From that period up to the beginning of 1846 there seems to have been no great change in the rate?—Up to the 18th of October, 1845, the rate remained 2½ per cent.

"3016. During that period do you think the conduct of the Bank direction would have been different under the previous Bank charter?—*I cannot say what it would have been; but I am quite convinced that it ought not to have been different; and I think it would not have been different.*"—(*Commons' Report*, 1848.)

A reference to the circumstance of the large amount of about 22,000,000*l.* which the treasure of the Bank attained in Sept. 1852, and its subsequent rapid decline; will serve to illustrate a material point in the difference of the view of the Bank Management between the School of the Currency Principle, and those who with me hold to the doctrine of the Banking Principle.

According to the Currency Principle, the golden rule to be observed in the management of the Circulation is: — that, in conformity to the assumed analogy of a metallic currency, a contraction should take place immediately on the commencement of a drain; and be continued *pari passu* with the progress of the drain; till the drain and the consequent contraction of the circulation should so have reduced prices as through their medium to have turned the foreign exchanges; — to have stopped the further export of gold;—and to have superinduced an influx of it. Such is the theory in which the scheme of 1844 had its origin.

The great mistake in this theory;—namely, overlooking the operation of hoards or reserves of coin and bullion, available for export without necessarily entailing, on the hypothesis of a metallic currency, the abstraction of any of the coin circulating among the public;—has been so distinctly pointed out as to render a repetition of the arguments unnecessary. And although an endeavour has occasionally been made to defend the Currency Doctrine by the ingenious, but not quite ingenuous, device of attaching a new meaning to the word circulation, the attempt has not been successful; for, excepting that here and there the Note Circulation may be occasionally introduced into discussions on the state of the money market, or on the management of the Bank of England, as something which influences prices or trade or the foreign exchange, it may be considered as virtually abandoned;—although there has been no retractation of the dogma by the original asserters of it.*

I am willing, therefore, to accept their substitution of the Rate of Interest for the Circulation; and to take the word Contraction to signify an advance in

* I gladly avail myself of the opportunity of referring here to two admirable treatises by Mr. T. H. Milner: the first published in 1848, entitled, "On the Regulation of Floating Capital and Freedom of Currency" (Smith, Elder, & Co.); and the second in 1849, entitled, "Some Remarks on the Bank of England, its Influence on Credit, and the Principles upon which the Bank should regulate its Rate of Interest" (Smith, Elder, & Co.). While confessing myself unable to concur in some of Mr. Milner's views, there can be no hesitation in regarding these two pamphlets as important and remarkable, not merely by the practical knowledge they display, but also by the clear and philosophical tone in which they are written. A later writer of the same order is Mr. John E. Cairnes, whose pamphlet of last year, entitled, "An Examination into the Principles of Currency involved in the Bank Charter Act of 1844" (Hodges & Smith, Dublin), enforces, with great skill, one of the most effective arguments hitherto directed against the measure of 1844.

the rate of interest, or forced sales of Securities by the Bank of England.

With this explanation, I will suppose their doctrine now to be, that upon the first appearance of a drain contraction should commence. But taking the rule with this improved version of it, there still remains to be stated, with a view to the practical application of the rule to the management of the Bank of England, what should be the amount of Treasure at which the drain is supposed to commence; and what the rate of interest from which the advance should take place.

If the case supposed be the actual one in July, 1852, of 22 Millions of Treasure in the Bank, and its rate of discount Two Per Cent.; — then, doubtless, on the further supposition, that this low rate were indefinitely continued, the consequence might be that of a total exhaustion of the stock of bullion, however large that stock had been at the commencement of the drain.

The case would be very different, if the rate at the commencement of the drain had been Four Per Cent. Because, judging both by reasoning *à priori* and by the event, there is the strongest ground for believing that with an *undivided* treasure in the Bank, the rate of 4 *per cent.* might have been maintained during a great part of the period without alteration and with perfect safety to the Bank, until the necessities for foreign payment acquired a magnitude which imperatively called for measures of counteraction.

In what degree the Bank, by the progressive reduction of its minimum rate to 2 *per cent.* in April, 1852, aggravated the tendency which then clearly existed to an excess of banking accommodation is a point that does not admit of being distinctly stated. But that the measures of the Bank did impart considerable stimulus cannot be doubted. Nor, further, can there be any doubt that this mis-

chievous influence of the measures of the Bank lay to a large extent at the bottom of the unsoundness of credit, and the inordinate extension of speculative enterprise, which as we have already seen manifested itself very decidedly in the latter half of 1852; which continued through the first seven or eight months of 1853; and at length issued in the pressure, and in the extensive and alarming failures, which marked the summer and autumn of 1854.

These failures began in May, 1854, and continued to occur—frequently with startling rapidity—till the end of the year. During part of May the demand for accommodation in Lombard Street was extremely urgent, and 6 *per cent.* was very generally paid for discounts. The failures in May occurred in the East India, the Provision and the Silk Trades. In June a severe shock was occasioned by the disclosures connected with the notorious and disreputable firms of Davidson and Gordon, and Cole Brothers, Colonial and Metal Brokers,—parties who had resorted to the manufacture of fictitious warrants as a means of raising money. There were also large failures in June, in the West India trade; and at Birmingham, and in the West Riding. In July there was the discovery of the extensive frauds of Schuzler, the Railway Manager at New York; and from the United States there was a heavy list of failures of Bankers, Joint Stock Banks, and merchants. At home there were further suspensions in London and in Yorkshire. In August there were some stoppages in the Corn Trade. In September renewed distrust was excited by the failure of several large and long established firms at Manchester; and in the South American and East India Trades. The pressure in the United States had in no sense diminished, and October and November brought very disastrous commercial news from thence. At home there was the suspen-

sion, for a very large sum, of an extensive speculator in ships at Liverpool; and there were a considerable number of failures both in London and the provinces.

SECTION 21.

The Real Causes of the Larger total amount of Bullion held by the Bank during Recent Years. — Those Larger Reserves not attributable to the Act of 1844.

That the extremely unsound state of credit indicated by the long and disastrous series of commercial failures, described in the last section, would have led to severe commercial crises, had it not been for the continuance of the enormous supplies of Gold which at that time poured in from Australia, will, I am convinced, appear, to any one who will take the trouble of recalling to recollection the circumstances of the time, in the highest degree probable; and for these and other reasons I feel as much assured as it is possible to be on a hypothesis of contingent events, that had it not been for the effects of the Gold Discoveries, the period from 1852 to the close of 1853 would not have elapsed without a severe trial, and a probable final condemnation and abrogation, of the Law of 1844.

But that Law had a respite of its fate by the operation of two causes:—

The continued magnitude of the supplies of Australian Gold, which restored the reserve of the Bank.

The apprehension of a War with Russia, which became prevalent in consequence of the occupation of the Principalities by the Armies of that country, in the summer of 1853.

This apprehension evidently infused a spirit of

caution in the public mind, and a consequent curtailment of many of the engagements which were about being entered into.

And the Reserve of the Bank having been replenished soon afterwards, the Directors, as already observed, in pursuance of their system of rapidly following the variations in the amount of their reserve, reduced their rate of discount, by four successive changes to 3½ *per cent.* on the 23rd June last (1855). And if there could be one instance more strikingly illustrative than another of the inconvenience of the separation of departments; and of the exaggerated manner in which the Directors follow out what they consider to be the spirit or principle of the Act of 1844; it is precisely this comparatively recent reduction of the rate of discount, to 3½ *per cent.* In the evidence given by the Governor and some of the Directors, there are avowals of imprudence in not having raised the rate of interest soon enough or high enough; but they justified their reduction from 4 to 2½ *per cent.*, in September, 1844; and again in August, 1846, from 3½ to 3 *per cent.*; by a view to the figures exhibiting the actual position of the Bank, without reference to events in prospect, however imminent; and I presume that they would justify their reduction in June, 1855, on the same grounds. Such prospective views are branded by them with the name of speculation.

Now this is, in truth, the same thing as disclaiming forecast or common prudence; and assuredly there was an absence of all forecast or common prudence in neglecting, or overlooking, the signs of the times; in ignoring all past experience; and disregarding all information to be derived from history; so far as to suppose that in a War involving a gigantic scale of expenditure entailing considerable payments abroad to be remitted in gold, there could be any reasonable ground for apprehending

such a continuance of the lull which happened for the moment to prevail in the money market, as to justify the impatience manifested by the Directors in reducing at such a time their rate of discount to $3\frac{1}{2}$ *per cent.* They were quickly reminded of their error; and had not only to retrace their false step, but to raise their rate to a height (namely between 6 and 7 *per cent.*) greater than had been known, except in the single instance of the autumn of 1847;—the previous reduction having rendered the rise more abrupt and violent, and consequently so much the more inconvenient, if not distressing, to the various interests affected by it.

But there are persons well acquainted with the machinery of the Bank, and aware of the effect of the separation of the Departments in causing variations more frequent and abrupt in the rate of interest than could occur in the absence of such separation; yet who appear to approve of what they call the *principle* of the Bill; assigning as the chief, if not the only reason for such approval, that it has compelled the Directors to be more prudent. And, in support of this view, they point to the larger aggregate amount of Bullion held by the Bank in its two departments since the enactment of 1844 than was held for a similar length of time at any former period; and they ascribe that larger amount to the operation of the New Law.

This was the view taken by some of the members of the Lords' Committee; and in my own examination before that Committee questions intended to support it were put to me. I had no difficulty in pointing out that there were no grounds for attributing the largeness of the stock of Bullion since 1844 in any degree to the operation of the Act.

The following is an extract from my evidence in 1848 on this point:—

"3082. It appears that in the two departments of the Bank during two years and a half, 1844, there was an amount of fifteen or sixteen millions of bullion in the hands of the Bank. Is that in conformity with its previous practice?—Most unquestionably. The Bank had as much as that in February, 1844. The amount then reached upwards of sixteen millions; and it cannot by any possibility be shown how the Act of 1844 enabled the Bank at that time to get, or to hold, such an amount of bullion.

"3083. The question is not whether the Bank ever before held such an amount at any one moment as it held in February, 1844; but the question is this, whether the Bank, finding itself in such a position in the commencement of 1844, it would, according to its previous practice, have been likely to have retained in its possession anything like that amount of Bullion for two years and a half subsequently?—I do not see any reason to suppose that the Bank would have had during those two years and a half a less amount, for the Directors did all that was in their power to reduce it. They immediately on the Act coming into operation reduced the Rate of Discount to $2\frac{1}{2}$ per Cent., which I verily believe they would not have done if the Act of 1844 had not passed.

"3084. Would it have been desirable that they should have retained 16,000,000*l.* of Bullion in their Coffers?—I should conceive that it was desirable.

"3085. You say that they did all they could to employ the money they had. Then, if they had had the control of 16,000,000*l.*, would not they have tried to use that, as you say they did try to get employment for what capital they had?—They did their best, as it was, to get rid of it; but they did not succeed.

"3086. Did not they at that time offer money at a lower Rate of Interest than they had ever offered it at upon any previous occasion?—Precisely. They did all they could to reduce the amount of their Reserve.

"3087. Can you give any peculiar instances within your own knowledge in which it was obvious that the Rate of Interest had been reduced to the very Minimum on the part of the Bank?—I never knew any instance before in which they reduced it so low as they did then.

"3088. Do you think that that very great reduction in the Rate of Interest had the effect, during its continuance, of giving a great stimulus to the Speculation which then took place, and to the system of trading which was then going on on the part of certain parties?—Whenever there exist motives to enterprise, whether in the Shares of Joint Stock Companies or in investments of any kind at home or abroad, a low Rate of Interest tends very considerably to promote and extend the tendency to speculation.

"3089. Do you think that it had that effect at that period?—I think it had.

"3090. Do you think that the stimulus so given by that very low rate at such a time by the Bank of England had any effect in producing the reaction which took place at the period of distress?—I am inclined to think that the effect of the Act was to promote a tendency to an undue extension of credit and consequent hazardous enterprise, from September, 1844, to January, 1847, and that the subsequent contraction of banking accommodation caused the collapse to be so much more violent.

"3091. Do you connect those two operations in any degree with the Act of 1844?—I do connect them in a considerable degree."—(*Lords' Report*, 1848.)

The same allegation of an increase of the reserve of bullion since 1847 will, no doubt, be again made by those who may support the Act against its present impugners; but certainly with even less reason, if that be possible, than prior to 1847. For there can be no reasonable doubt that but for the very large supplies of Californian and Australian Gold, the Bank without a much higher average rate of interest would not have maintained anything like the same amount of Treasure. The low rates in the Five Years, June, 1848, to June, 1853, varying as they did from $3\frac{1}{2}$ to 2 per cent.; and again up to $3\frac{1}{2}$; were calculated to counteract the tendency to accumulation, in consequence of those large supplies. And the subsequent variations of the rate were anything but favourable to an accumulation of Treasure.

And with reference generally to the statements which have been given in previous pages of the frequency, the abruptness, and the violence of the changes in the Bank Rate of Interest under the operation of the Bank Act of 1844; they go fully to prove the correctness of the opinion which I expressed, that such would be the probable effect of the separation of the Bank of England into two departments, long before I had any reason to suppose that any such scheme was likely to be seriously

entertained; and when still less could I imagine that the separation would be made matter of positive legislative enactment.

In the early part of 1844, some weeks before Sir Robert Peel brought in his bill, the provisions of which were correctly conjectured, I concluded a somewhat lengthened examination* of the principle and probable effect of such a measure with the three following propositions:—

"That it is only through the Rate of Interest "and the state of credit that the Bank of England "can exercise a direct influence on the Foreign "Exchanges.

"That the greater or less liability to variation "in the Rate of Interest constitutes, in the degree "next only to the preservation of the convertibility of the Paper and the solvency of Banks, "the most important consideration in the regulation of our Banking System.

"That a total *separation* of the business of Issue "from that of Banking is calculated to produce "greater and more abrupt transitions in the Rate "of Interest and the state of Credit than the present system of union of the Departments."

Experience of the working of the Act has abundantly proved the truth of the last of these propositions. But supposing the Departments to be again united (as, if there be common sense in the country they will be), then the liability to variations in the rate of interest will be greater or less according to the magnitude of the habitual or average reserve of treasure in the vaults of the Bank.

* Inquiry into the Currency Principle, 1844, p. 124.

SECTION 22.

Review of Suggestions hitherto made for Improving the Relations subsisting between the Bank of England and the Public.

It is now upwards of eighteen years ago * that I called attention to the inadequateness of the Stock of Bullion which had, in the few years immediately preceding, been held by the Bank of England; and recommended that it should be the endeavour of the Directors to maintain an average amount of treasure of not less than Ten Millions.

In the evidence which I gave before the Committee on Banks of Issue in 1840, I stated it as my opinion that, considering the great extension of trade, and of the general transactions of the country; and of the consequent greatly extended circulation of paper credit; it was desirable that the metallic basis should be wider than that which I had before suggested of Ten Millions, and that it ought not to be less than Twelve Millions.

And, again, I urged the same recommendation of an enlarged basis of bullion in the Fourth Volume of my History of Prices, published in February, 1848; and I reiterated it in my evidence before the Select Committees of both Houses of Parliament in the spring of that year.

I pointed out, at the same time, the mode of management by which, as it appeared to me, the Directors might, with such a reserve in the united departments of the Bank, minimise the variations in their rates of discount; and avert, or greatly mitigate, the shocks to which commercial credit, in a state of trade, both internal and external so widely

* Hist. Prices, ii. p. 330.

extended and ramified as that of this country, is liable.

It is not, therefore, for want of the attention of Government having been drawn to the suggestion that no plan founded upon it has been entertained. When I say that the attention of Government has been drawn to my recommendation of a large average amount of treasure, I would not be understood as having offered that, or any other recommendation, to the notice of Government; for I have never had any communication of the kind, direct or indirect, with the Government or any individual member of it. But the fact that my opinion on this point has not escaped the notice of Government is past doubt; because in the debate on Commercial Distress on the 3rd December, 1847, Lord John Russell, then Prime Minister, took occasion to refer, at some length, to the views I have from time to time expressed in favour of the plan of maintaining a Large Reserve.

An objection which is obvious, and has generally been made to the suggestion of the desirableness with a view to the public convenience, of a large average amount of treasure to be held by the Bank, is; — that the Directors, having in view the interests of their proprietors, could not be expected to maintain so considerable an amount of unproductive stock as has been contemplated in my recommendation.

My answer to this objection was, that it should be an understanding between the Government and the Directors of the Bank that a certain large amount of treasure should be held on an average say of five years; and that some consideration or compensation of a pecuniary nature should be made by the Government for the sacrifice of interest on the part of the Bank; such sacrifice being required with an express view to the advantage and convenience of the public. That

such an undertaking on the part of the Directors admitted of being performed, the only question being that of expense, was stated by Mr. Horsley Palmer in his evidence in 1832; and he has since repeated that opinion. The compensation might be made in an increased allowance for the management of the Public Debt, or in some other way; the compensation to be withheld or refunded as might be agreed upon, if the conditions were found at the end of five years not to have been fulfilled.

This suggestion has not been entertained; and I can easily suppose that a Chancellor of the Exchequer would feel very averse to incur the expense of such an arrangement; besides that there would be some awkwardness in adjusting the terms of it; and difficulties might arise in the subsequent settlement as to how far the condition had been complied with.

On this and other grounds I am led to apprehend that no arrangement of the kind supposed has been, or is likely to be, in the contemplation of the Government, or the Bank Directors. At the same time I continue to be strongly of opinion that such an arrangement would be highly desirable; although I no longer see any grounds for expecting that it will be carried into effect under the present administration of the Bank.

But, having now come to the conclusion of my argument against the principle and operation of the Act of 1844; showing by a review of the manner in which the Directors, in pursuance of an erroneous theory, and an exaggerated interpretation of the scope and spirit of the measure, have aggravated the inevitable evil tendency of that measure;—it occurs to me that I am open to the question;—whether in contemplation of the obnoxious provisions of the law being abrogated in the ensuing session of Parliament, I ought not to be prepared

with the suggestion of some remedy for the errors of management which, prior to 1844, had led the Government to the conclusion that the Directors as a body were not fit to be intrusted with the control of the circulation.

Indeed, it was stated to me soon after the publication of the last volume of my History of Prices, in which I had entered into a very full examination of the operation of the Act of 1844, that my arguments against the principle and policy of that measure failed of producing the impression that I might otherwise have expected; because I did not propose or suggest any Scheme or Plan by which, in the event of the abrogation of the restriction of the power of issue, the discretion of the Directors in the exercise of that power should be so far controlled as to prevent a recurrence of such evils as had been the consequence of their mismanagement on several signal occasions prior to 1844. For, as to the larger reserve of treasure which I recommended, even if it could be made matter of stipulation, there would, it may be said, be abundant scope for mismanagement during the long interval before the stipulation could be brought to bear. And although, if the departments were united, the transitions between a high and low rate of interest would not be so frequent and abrupt; nor the recurrence of pressure amounting to panic be so probable as it is under a division of departments, there would still, it may be urged, be room for the infliction of much inconvenience on the public by improvident and injudicious management.

I admit that there is great weight in the objection on these grounds to the sufficiency of the only remedy I proposed. I have been led therefore to a careful consideration of the question;—whether some more effectual means might not be devised, whereby the management should be so far improved, as to preserve the public from the repe-

tition of such errors as those which have characterised the mode of conducting the business of the Bank both before and subsequent to 1844; and which have been so emphatically described and dwelt upon by Sir Robert Peel, Sir Charles Wood, and Lord Overstone.

SECTION 23.

The Experience of the last Twelve Years has furnished strong additional Reasons for endeavouring to Improve the Administration of the Bank of England.

I have already had occasion to remark that it has been matter of surprise to me that the eminent persons just named, along with others of their school, instead of endeavouring to render the Directors more prudent by taking a part of the functions of the Bank out of their hands, have not been led to consider whether some part of the fault does not lie in the constitution and composition of the Governing Body; rather than in the mode in which the Directors as now constituted have conducted the affairs of the institution.

Now, the result of all the consideration that I have been able to give to this question is, that the fault has lain more in the System or Constitution than in the Management.

A suspicion to this effect seems to have entered into the minds of the Parliamentary Committees, for in both of them questions were asked of the witnesses whether they had any suggestions to offer with a view to an improvement of the Governing Body of the Bank.

The Governors and the Directors of the Bank who were examined on this point expressed themselves

satisfied with the existing constitution of the managing body; with the exception of the regulation by which in April of each year Eight Directors go out, and are not re-eligible till the year following. They took credit at the same time for having effected an improvement in the constitution of their own body by altering the rule of succession to the Chair of Governor; so that, instead of the rotation by seniority, the persons to fill that situation were elected by the Directors from amongst the whole Court.

I was also examined on this question, and gave an opinion much to the same effect as the Directors, dwelling more particularly upon the impolicy of the regulation requiring the annual change of Eight Directors; but expressing myself as being content, supposing the Act of 1814 were repealed, to allow the management to continue in the discretion of the existing body, to whom I gave credit for being improved, as I thought they ought to be, by the eventful experience of late years.

The opinion which I then gave to this effect has undergone a great change in the course of the period of nearly eight years which has since elapsed.

The Evidence of the Governors and Directors before the Committees of 1847–8 (which had not been published when I expressed that opinion), explanatory of their management under the Act of 1844; and of their views of the state of things and consequent proceedings and intentions in the crisis of 1847; was calculated to produce in my mind a very unfavourable opinion of their judgment.

It is impossible to peruse without extreme astonishment the evidence given by the Governors and Directors in 1848 relative to the events of the previous year.

It would seem, indeed, that these distinguished

persons had conceived an attachment so strong to what they called the *principle* of the Act, that to some considerable extent they were unable to foresee and appreciate with the clearness and accuracy of other people the evil and dangerous consequences of the measure. Nay, I am afraid that expressions may be found in the evidence which almost justify the statement, that in the opinion of many of the leading Directors, the issue of the Treasury Letter of October, 1847, was an ill-timed interference with the adoption of further extreme proceedings. And it is plain that there was a strong disposition in the Bank to resort to measures for the maintenance of the Act of 1844 as novel and violent as might have been possibly contemplated for the preservation of the Act of 1819. In other words, the mere division of the departments was to be defended by sacrifices as great as the maintenance of specie payments.

So far as can be ascertained by the evidence, there appears to have been on the part of the Governors, and some of the Directors, a vague and overpowering apprehension of some new and frightful evils, which were to ensue from any infringement of the doctrine and system of 1844; and these abstract and unfounded fears produced as their practical consequences that most unhappy refusal of the Bank to make early representations to Government of the gravity of the crisis; and still more that unhappy disposition on the part of the Bank to deprecate interference even at the latest moment. That the Directors were bound not to seek for undue occasions to break the existing law will be granted on all hands. But that a body of men in their position, and with their responsibilities, should so far commit themselves to the influence of any system or theory, as to disregard the strongest evidences of aggravation of distress arising from the operation of a particular

law; is a failure so great and serious, that it ought to lead to a thorough examination of the plan of management under which defects so vital are permitted to occur.

I will not pursue this topic further; and I have only here introduced it as furnishing one strong ground, among others,—such for example as their management from 1847 to the present time,—for the change which has taken place in my opinion since 1848, when I expressed myself in favour of leaving the conduct of the business of the Bank to the discretion of the Directors as then and still constituted.

Under the influence of the circumstances which, more particularly since 1847, have led me to entertain so unfavourable an impression of the discretion and judgment of the Directors; I have been induced to direct more attention, than I had hitherto devoted, to the consideration of the composition and the constitution of a body, which has been so singularly unfortunate as the Directors of the Bank of England, in failing to secure the confidence of the public in their management.

This want of the confidence of the public does not in the most remote degree apply to the personal qualities and characters of the Directors, which are justly held in the highest estimation; and by no one more highly than by me; but at the same time their management of the Bank is almost always spoken of in terms of disparagement. The most disparaging of the criticisms, the most severe, the most unsparing of the animadversions, have been those passed upon them by the originators of the Act of 1844. Towards the obtaining of that Act the majority of the Directors co-operated, and they may consequently complain of having been rather hardly used by their friends and coadjutors in the cause.

Without going the length of the extreme se-

verity of criticism which the leaders of the new School of Currency have bestowed upon the management of their coadjutors — the majority of the Directors of the Bank of England — I have come reluctantly to the conclusion that the constitution and the composition of the Executive of that institution is essentially faulty.

SECTION 24.

Suggestions of Changes in the Governing Body of the Bank made by Mr. Glyn and Mr. William Brown before the Lords' Committee of 1848.

In the view, stated at the close of the last Section, I am fortified by the opinions of two persons of great eminence in the commercial world; and held in the highest estimation for great practical good sense, and for intimate acquaintance with the mode of successfully conducting the management of banking and mercantile establishments on a very extensive scale.

I mean Mr. George Glyn, the Member for Kendal; and Mr. William Brown, the Member for South Lancashire. And I give, accordingly, the following extracts from the evidence of these gentlemen before the Select Committee of the House of Lords on Commercial Distress.

The examination of Mr. Glyn was on the 6th of March, 1848; and of Mr. Brown on the 13th of the same month.

Taking them in the order of their dates, Mr. Glyn's evidence is as follows*:—

* It is not the practice of the Lords' Committees, as it is of the Commons', to give the names of the Questioners.

"1777. (GEORGE CARR GLYN, Esq., M.P., examined.) Do you think it would be desirable to intrust to the Bank of England, or to a body of that description, the power of determining the point at which it is necessary to abstain from further contracting the Circulation, and to extend it? — My opinion certainly is, from the experience of last year, that it would be better to revert to the old system under which the Bank managed the Circulation than to continue under the Fourteen Million Clause of 1844. At the same time I would guard that opinion by adding that *I am not prepared to say the constitution and system of the Bank Court are at present exactly what they ought to be for the due administration of the Circulation.*

"1778. Looking at the former operation of the same discretion, and looking at the management by the Bank of its own banking affairs during the last year, do you think that there is sufficient ground for confidence in the good management of the establishment to intrust them with such a power? — I think that arrangements might be made that would put the Bank Direction on a footing which would establish a proper and well-grounded confidence in its management.

"1779. Will you have the goodness to state in what manner you think the Government of the Bank could be so constituted as to secure that object. Will you first explain the present system of Government of the Bank? — It is managed by the Governor, the Deputy-Governor, and the Court of Directors, everything being finally settled by the Court of Directors, and decided by a majority of votes.

"1780. Has that always been the case since the institution of the Bank? — Within my recollection.

"1781. Is not the Committee of Treasury invested with peculiar powers? — The Committee of Treasury are advisers to the Governor. The Governor has only power between the Courts to do any act, and for which he must get the approval at the subsequent Court of Directors; everything centres in the Court itself.

"1782. The Governor can only act in a case of emergency? —He can only act in a case of emergency when the Court is not sitting. Taking the Bank Directors generally, they have been a highly respectable body, and have conducted their affairs extremely well. Of course there will be failures among mercantile men under all circumstances; but I am not aware that there is any imputation upon any of those that have failed that they have ever done anything for their own accommodation. *But there is a great evil in having questions such as fixing the Rate of Interest and the general regulation of the Circulation determined by a bare majority. In point of fact, there may be a majority one week which may be a minority the next; and the principle of the system may be upset by an adverse vote, though it*

may be prudent and right. If I were to offer any suggestion (which I should not have ventured to offer if it had not been asked from me by your Lordships) I should prefer leaving the whole responsibility of the Circulation in the hands of the Bank of England. I do not think there is much advantage in a double responsibility divided between the Bank of England and the Government; but I consider it would be well that the Bank Court should have in it certain persons not elected by the Proprietors, who should be appointed under Act of Parliament for a limited time, or in any other way which may be deemed advisable, not immediately by the Government or Proprietors, and not removable by the Government; and that they should have, not an absolute veto upon the proceedings of the Bank Court, but that if they dissented from the majority, their reasons for that dissent should always be submitted in writing, and that they should be laid before Parliament, if Parliament saw fit, from time to time. I think that the introduction of these Commissioners and their protests and influence would exercise a very wholesome control upon the body of Governors; and at the same time would not deprive them of that power of which, as representing the Proprietors, it would not be right that they should be deprived.

"1783. Would you add to these alterations any regulations with respect to the management of the Currency, with a view to the Exchanges, or to any other circumstances? — I should leave that to the Court and to those Commissioners to determine as they saw fit from time to time.

"1784. Do you consider that these Commissioners should be persons not engaged in trade. — I would rather they were not engaged in trade. I think you might find people of experience enough not engaged in trade who were fit for the duty, but would not make it an absolute condition of eligibility.

"1785. Do you not mean that they should be appointed for life?—Not for life. It is impossible to know beforehand how far a man may be fit for a position of that sort, and therefore I would make the appointment for three years, or for some period and renewable."—(*Lords' Report*, 1848.)

Mr. Brown's evidence on the 13th of March, 1848, was to the following effect:—

"2227. (WILLIAM BROWN, Esq., M. P., examined.) Is there any point upon which you would recommend a difference to be made in the constitution of the Bank, as compared with its condition before the passing of the Act of 1844? —I do not think that it is possible to govern a merchant's counting-house or any great monetary institution, such as the Bank of England, by any rigid rule. You must place con-

fidence somewhere. You must allow the parties managing the institution to have a discretionary power. Sometimes you have an influx of money, sometimes an efflux; sometimes a bad harvest and sometimes a good one; sometimes foreign Loans; sometimes commercial difficulties. Commercial difficulties will arise which will make it impossible to govern the proceedings of the Bank by such a rule as the Bank Act of 1844.

"2228. Then you would leave an institution like the Bank at liberty, not only to manage its own Banking concerns at its own discretion, but to regulate also the Currency of the country at its own discretion? — Yes. I should leave it very much to their own discretion; *but I would not place the Bank in that position that they should have only their own interest to consult. I would make them to some extent the Conservators of Public Credit.* I would allow them to have some choice in putting a veto upon the Chairman and Deputy Chairman; and I would have those gentlemen possess ample powers, and act under a clear understanding that they were to consult the public good.

"2229. You would not be disposed to leave the extensive discretion which you have described in the hands of the Bank under its present constitution? — It is extremely difficult to fix any system of management for so great an institution which will be perfectly satisfactory. Although I have thrown out the suggestion of a veto upon the Governor and Deputy Governor, there may be other plans that might be better fitted to meet the intentions that I wish to carry out."

The seven questions (2230—2236) relate to a suggestion by Mr. Brown, that possibly an arrangement might be made with the Bank for keeping a larger total reserve of Bullion, on the understanding that a portion of the consequent expense should be borne by the State. These I omit as not material to the present purpose. The subject is then resumed as follows:—

"2237. Do you mean that the Officers you propose should be appointed by the Government, and should be entirely independent of the Bank? — I do not know how it would be best to regulate those officers. I do think the Government should have a controlling power and veto upon those officers, and that they should see that proper men were appointed, who would look not only to the interests of the Stockholders but to the interests of the Public at large; and that it should be their duty to take care that their vaults were well supplied with money at all times, except under such an emergency as we have recently had, and then they might let it run down very low, to relieve the

country from the distress under which it would otherwise suffer.

"2238. You mean that those officers should be selected by the Proprietors or by the Directors of the Bank, and that then the concurrence of the Government should be required in their nomination? — I think that probably would be the best plan that could be adopted. But there are so many Plans that might be suggested to place the Bank of England in such a position that it would be a Conservator of Public Credit, that I am not at all prepared to suggest what the best plan of doing it would be.

"2239. Do you think there would be any mode whatever, except by an Act of Parliament, of ensuring the proper conduct of the Bank in that respect to which you have alluded, namely, the keeping a certain proportion or quantity of their reserve in convertible securities? — I should think a judicious selection of the Governor and Direction would answer that purpose.

"2240. Supposing those Directors were removable at will, the removal of one or more Directors would not ensure a different line of conduct on the part of the Directors who would succeed? — I think the Directors in that case would probably have very little to say, but that the great operations would rest upon the Chairman, and Deputy-Chairman, and the Cashier. If those three officers were then well selected, with a large discretionary power, that would probably be the best security that you could have. I am quite aware that it is impossible to get all the securities you wish; and it is equally difficult to replenish the vaults of the Bank at certain times with all the gold you may wish; but I believe the best security for the country is to leave a large discretionary power with men of intelligence, who would feel that they had a responsible duty to perform.

"2241. But supposing the Executive Government of the country, the Queen's Ministers, and the gentlemen who were in the Direction of the Bank, had a different view as to what were proper securities, how would you resolve the difference between them? — You could not resolve the difference." — (*Lords' Report*, 1848.)

Before I proceed to state my own views of what would be the best plan on which the constitution of the Managing Body of the Bank in the re-united state of the present divided departments should be settled; I will offer a few remarks on the points as to which I agree, or venture to differ from these witnesses.

It is needless to observe that I cordially agree

with both of them in unqualified objection to the Act of 1844, which it is hardly possible to imagine can be maintained much longer.

I agree with Mr. Brown in the great but not undue stress which he lays on the advantage of a large amount of Treasure in the Bank.

I agree with Mr. Glyn and Mr. Brown in the objection which they state to the manner in which important questions of Management are discussed and determined.

Mr. Glyn well describes the weight of this objection, when he says: "There is a great evil in "having questions, such as fixing the rate of in- "terest and the general regulation of the circula- "tion determined by a bare majority. In point of "fact, there may be a majority one week which "may be a minority the next, and the principle of "the system may be upset."

With regard to the remedies proposed by the witnesses, they must be taken as suggestions offered off-hand in answer to questions for which they were not prepared. I have therefore less scruple in stating frankly my opinions upon them.

The introduction into the Direction of a Commissioner or Commissioners, not elected by the Proprietors, but appointed under Act of Parliament, and invested with the powers suggested by Mr. Glyn, might, I am disposed to admit, exercise a salutary influence in controlling the irregular and inconsistent movement to which the body as now constituted is liable. But I doubt the possibility of harmonious action between such Commissioners and the Directors. And I cannot conceive that any Directors would accept the situation of Governors, if liable to have these Commissioners set over them; or at least set to watch and control them by an external power; nor is it likely that merchants of such high standing as the present Directors would be solicitous of a seat in a Direction into

which so anomalous an appointment was interposed. What I mean to say is, that an appointment according to this sketch, would not, in my opinion, be found to answer; that is to work conveniently. If Mr. Glyn would set his mind to propose a finished plan for the better government of the Bank, I know no one who would be better fitted for the task.

So long ago as 1840, the idea of an Official Governor to be appointed by the State, seems to have been agitated. In Mr. Norman's examination before the Committee on Banks of Issue, there is the following passage:—

"1973. Would any advantage be derived from the introduction of more permanent officers, or a more permanent body into the Management of the Bank?—That is a point upon which I hardly know how to give an opinion.

"1974. Are you acquainted with the constitution of the Bank of France?—Not thoroughly.

"1975. Are you aware that there is a permanent Governor of that Bank?—I believe there is a Permanent Officer, who I believe is nominated by the Government.

"1976. Would you anticipate any advantage from the introduction into the Government of the Bank of a permanent Officer of that description?—I think not.

"1977. Would there be any advantage in the introduction of a Permanent Officer appointed by the Bank itself?—I think it must be allowed that a person whose attention is exclusively directed to the duties of an office, and whose attention is so directed for a number of years, must at length possess advantages which cannot belong to a person who only fills the same office for a time.

"1978. Is not the office of Governor of the Bank attended with great labour, and almost incompatible with attention to any other concerns in which he may be engaged?—Undoubtedly.

"1979. Does not this appointment to the office of Governor entail a considerable sacrifice of private interest; and to which it is not to be expected that any person can submit for a length of time?—I should think so."—(*Banks of Issue*, 1840.)

It will be seen from this extract that Mr. Norman did not approve of the suggestion of a State Governor; and I quite agree with him that the example afforded by the Bank of France, in which

establishment the administration rests principally on a supreme officer named by the State, is by no means favourable to any trial in this country of a similar measure. The rest of Mr. Norman's statement may be considered as supporting the alterations I shall presently suggest.

Mr. Brown having justly, as I think, recommended the maintenance of a large amount of Treasure, and being asked how this object should be secured; expressed an opinion that the object of maintaining a larger amount of treasure, and of embracing a consideration for the interests of the Public as well as those of the Proprietors; might be attained by great care in the selection of Governors; who, in conjunction with the Cashier, should have a large discretionary power in great alterations, subject to a veto by the Directors.

That a larger discretionary power to the Governors, if well selected, might be some improvement, I should perhaps be disposed to admit; but the association of the Cashier in the exercise of such power, or in influencing the decision of the Governors in matters of importance, seems to me to involve so anomalous a position for an officer of the Bank; and to be in every point of view so objectionable, that the suggestion can hardly be allowed to enter into discussion. And indeed Mr. Brown disclaims having formed any deliberate or matured opinions upon the subject of the management.

SECTION 25.

Statement of the Objections to which, in my opinion, the present Constitution of the Governing Body of the Bank of England is fairly open.—Inconveniences and Evils arising from its Operation.

I will now proceed to state my own views of the objections to the constitution of the Governing Body of the Bank; and of the alterations which appear to me to be calculated to effect a great improvement in the Administrative System of that establishment.*

* I have confined my suggestions of alteration to those parts of the measure of 1844 which more immediately relate to the management of the Circulation of the Bank of England; but I by no means undervalue the importance of those other portions of the measure, and of those statutes adopted in 1845 as sequels to it, which affect the Circulation of Private and Joint Stock Banks in England and Wales, in Scotland and in Ireland. The general principle involved in the policy of these measures was to draw a broad distinction between the liability of banks for their Circulation, and the liability of banks for their Deposits, and other obligations: and by limiting the amount of the future Circulation of the banks to the comparatively reduced sum at which it stood in the early part of 1844; and by prohibiting the establishment of any new issuing bank; it was sought to neutralise, as far as possible, what the Currency School considered to be the irregular and mischievous action of the Country Issues. The continuance for eleven years of these interferences with the previous condition of the Country Banks, has somewhat complicated the present state of the question as regards their Circulation. So long as Country Notes of less amount than Five Pounds are prohibited, I am quite satisfied that no adequate reason exists for granting a preference of payment to Notes over Deposits; and fully agreeing as I do in the wisdom and necessity of the Joint Stock Bank Regulation Act of 1844, which requires that each new Joint Stock Bank shall have at least a subscribed capital of 100,000*l.* in shares of not less than 100*l.* each, and a payment of 50*l.* on each share, before commencing business; I should be disposed to remove altogether the restrictions imposed in 1844 and 1845 by Sir Robert Peel, on the Circulation of the Provincial Banks in the three divisions

The objections which I have to notice are those that are patent to the public. If the Directors had been examined closely on these points by the Committees in 1848, it is possible they might have pointed out others.

In the appointment of Governors of the Bank, the Directors in their evidence described as an improvement, an alteration recently made, by which the succession to the Chairs is no longer, by strict seniority, as it had been; but the fittest person is selected for the purpose. And this alteration is mentioned in the bald and meagre Report of the Commons' Committee as an improvement. It may be an improvement, and the selection has been fortunate in the choice that has fallen on the present occupant of the Chair. But the power of appointing the fittest person does not always exist, because it may, and not unfrequently, must happen that the Director most highly qualified to fill the situation is either unwilling, or, from his position, unable to undertake the onerous duties, and to submit to the confinement of the situation.

The period for which the Governors are elected, namely, two years for each Chair, without being re-eligible excepting under extraordinary circumstances; such as in the case of breaks in the Charter, when it was considered that they should be continued for one year longer; appears to me to be much too short.

The occupant of the Chief Chair has little more than time enough to become familiar with the duties of his responsible position; and to discover parts of the system which may require to be looked into with a view to amelioration; when, before

of the kingdom. In the present state of the Banking system of this country, and with the constant obligation of convertibility into coin, the Currency Principle notions of a power of excessive issue in the Country Banks are to be regarded as errors which have been utterly exploded.

he can have matured any plan for the purpose, his term of office expires; and he has no longer the same interest, and, if he has the same interest, no longer the same power of carrying it into effect. And I should imagine that, generally speaking, there must be some inconvenience in each change.

The Governors are mostly engaged in large concerns of their own; and it is hardly possible to suppose that there may not arise occasions, on which their attention may be distracted or diverted from the affairs of the Bank, to their own. At all events this circumstance is calculated to interfere with that continuity of attention to the concerns of the Bank, and to the interests and convenience of the Public, which, in the opinion of Mr. Norman, with whom on this point I agree, it is desirable that the person intrusted with the supervision and direction of every part of that vast establishment should be able to apply. This condition is of necessity very imperfectly fulfilled in the present management.

The Governors have, indeed as I fully believe, been most exemplary in their attention to the duties of their office;—and also in their attendance, which I have understood to be daily, or nearly so. But the implied duty or necessity imposed on the Chairs of such constant attention, entails a degree of confinement which, as I have just observed, has deterred Directors, otherwise well qualified, and sometimes the best qualified, from taking the Chair when offered to them, either by selection or by seniority. Such obligation also of daily attendance at the Bank during the most important business hours of the day, renders the duty inconvenient, if not impossible, to those who have not junior or working partners to look after the business of their own firm during those hours. But exemplary as the attention and

attendance of the Governors under the existing system are, and have been; they fall short, in my opinion, of the permanence of attendance, and continuity of attention, which it is so desirable to ensure from the presiding mind that has to watch over and direct all the movements of the establishment.

There is one inconvenience, so great, so palpable, and of such regular recurrence, that it is difficult to account for its having been suffered to continue to the present time;—I mean the rule by which Eight of the Directors go out in each year, and are not re-eligible till the year following; unless there should be a vacancy during the intermediate time, in which case an ex-Director is re-eligible.

It is difficult to account for the origin of so preposterous a regulation; distrust, however, of some kind on the part of the proprietors must have been at the bottom of it.

It is supposed even at this time of day that a rotation of the kind in question which is considered (using a metaphorical expression), as bringing fresh blood into the direction, affords the means of detecting and correcting abuses which are apt to grow out of a stagnant state of the Governing Body. But this supposition involves a great mistake, especially when applied to such directions as that of the Bank of England and other considerable analogous establishments in which those directors who go out by rotation are re-eligible at the expiration of a year, and are then, as a matter of course, re-elected. In such cases it is quite clear that it is only in the election at the close of the first year that fresh blood is introduced. In every following year the ex-directors come in again. And the *rationale* of the effect of the rotation, following the same metaphor, is that the old blood, after having been stagnant for a twelvemonth, is re-infused into the circulation,

which is thus exposed to the two-fold disturbance of abstraction in the first instance of so much that was in an active state; and of re-infusion following it of what had been in a stagnant state, and would require some time to be revivified into its former condition. Or, taken in a general point of view, the case stands thus:—The entire Body of Directors in and out of office may be considered as consisting of thirty-four members, of whom in office are twenty-six (two Governors and twenty-four Directors), and eight out of office; that is, twenty-six active, and eight temporarily passive members. The only new blood or fresh members therefore are those who come in to fill vacancies caused by death, resignation, or disqualification.*

* The vacancies from these causes were more frequent formerly than they are now. It was the invariable custom, I believe, that if a Director declined to serve the office of Governor, he was required to resign his seat in the direction. And I remember, on one occasion, many years ago, that the Director next in seniority, having declined the Chair, was followed by four or five Directors in immediate succession equally unprepared to take it, and the consequence was, that there were five or six vacancies at once. The practice is now changed. Since the abrogation of the rule of succession to the Chair, the Directors next in seniority are no longer called upon to resign. And there has recently been an instance or two in which, at the annual election, there has not been in the list of those elected a single new name; that is, a name which had not been before in the direction.

I would here mention a striking instance which, among others of less notoriety, may serve to show the uncertainty and inconsistency to which this regulation renders the conduct of the Bank liable on particular occasions.

In the closing months of 1836 considerable difference of opinion was said to prevail in the Bank Court on the subject of its intervention for the support of Commercial Credit at that time; the party, however, in favour of intervention proved to be the majority, and assistance was accordingly afforded; and further advances were in train in the spring of 1837 when the change in the composition of the direction in April of that year, by eight of the Directors going out, and eight coming in, altered the whole policy of the Court, and further assistance beyond that to which it had been

I noticed in my evidence before the Committee of the House of Commons the existence of this extraordinarily inconvenient regulation; and the Committee expressed surprise that there should exist such a regulation;—a regulation of which, as far as I am aware, there is no example in the case of any other Joint Stock Company. One of the Directors, who was examined by the Committees in 1848, mentioned the practice and the inconvenience of it also; but it appears that it does not admit of alteration except by Act of Parliament; and it is natural that the Bank should not have sought an alteration in intervals when the Charter was not under consideration in Parliament. But the Directors had a full opportunity in 1844 of calling the attention of Government to the great inconvenience of this rule, and of suggesting a remedy; and it may be matter of surprise that they did not avail themselves of that occasion to remedy an evil so important and obvious. But the remedy is not so easy as might be imagined consistently with annual election. A reduction of the numbers subject to the rotation would, doubtless, be a mitigation of the evil; but the inconvenience would still be considerable. The remedy which I would propose will be seen in the exposition of my plan for improving the constituent parts of the direction.

I consider that a Board, consisting of twenty-four Directors and two Governors, is too numerous for deliberation and discussion on questions of importance, involving points of difficult solution, and affecting the interests and convenience of the Public; and, at the same time, requiring prompt

committed was withheld. It may be that the policy of 1836 might have been right, and that of 1837 wrong, or *vice versâ;* but, without saying which was right, and which was wrong, such vacillation of conduct cannot but impair the weight of authority and the character for consistency which the decisions of a body like the Bank ought to possess.

decision. If the Members possess and profess independent opinions, each of them might descant, for half an hour or upwards, upon his peculiar views; and the most fluent and determined speaker would occupy most time, and say, perhaps, what was least to the purpose, leaving insufficient opportunity for those best acquainted with the subject to express their opinions. The delivery of an opinion in an assemblage so numerous partakes of the nature of a set-speech; and a decision come to as the result of such speaking, and carried by a simple majority, is as likely to be wrong as to be right; and in some points of view more likely to be wrong than to be right. I do not say, because I have no means of knowing the fact, that this would be a correct description of what passes in the Bank Court, in the discussion of matters of financial importance, brought before it. But what I do mean to say is, that a Board consisting of twenty-six Members is totally unfit for the discussion of questions;—such as alterations in the rate of interest;—which are brought before the Weekly Courts on the Thursday.

The Governor of the Bank, in his evidence in 1848 (see p. 165. *seq.*), stated an instance of his opinion having been overruled on a very important occasion; unfortunately overruled, as the event proved; and there is no reason to believe that this was an isolated occurrence. The decision on occasions of expected change is thus apparently of necessity a hurried one. The Court meets at half-past eleven or twelve; and, if the sitting be prolonged beyond half-past one, the Stock Exchange and the Money Market become anxious and excited, under the idea that a change of importance is under discussion; and persons congregate about the doors of the Bank-parlour to obtain the earliest announcement of the decision. The knowledge that such impatience is manifested

out of doors naturally urges the Court to hasten the termination of its discussion; and, judging from what I know to occur in the case of other Boards, I have no doubt that the Members who are detained, perhaps inconveniently, from their own business at the most important time of the day, are themselves impatient to get away. The close of the discussion is, therefore, hastened as much as possible. Now in such a case, is it not possible, nay, not at all improbable, that if more time had been given the decision might have been a different and a better one?

But the greatest evil of all attending the decision of meetings such as that of the Bank Court is, that the question, so imperfectly discussed, is decided by a bare majority.

Mr. Glyn has pointed out the great objection to this mode of decision, and the evil of it might be illustrated in a great variety of ways; but I will mention only one. Suppose that the Court, meeting at a critical time, musters twenty-one Directors; and the question of raising or reducing the rate of interest gives rise to much difference of opinion, and the division is eleven to ten. In this case it may so happen that the Director possessing the least information and of the weakest judgment, and having been absent at previous Courts, when a preliminary discussion had been gone through, would make all the difference in the decision, which would thus turn on the accident of the absence or presence of a single member. Now, surely, it must be admitted that a machinery worse calculated by design and operation, to fulfil the purposes in view could not well be imagined.

The action of such an establishment as the Bank of England on the monetary interests of the Public ought to be,—and as I think might be,—if prudently and judiciously conducted; and having in view the maintenance of a large reserve; a power

tending to repress and moderate, the fluctuations to which the market rate of interest, and the state of credit, are at all times liable.

Instead, however, of the exercise of a repressive and moderating power, the influence or power exercised by the Bank has been;—witness the example of the last twelve years;—to aggravate and intensify the fluctuations to which, from a variety of other causes, the market Rate of Interest and the state of Credit are exposed; and I cannot help thinking that, if an expression could be given to the opinion of the great bulk of the merchants and bankers of the kingdom; it would be to the effect that the feverish state and the frequent alarms, incidental to the management of the Bank, as it has of late years been conducted, are calculated to render it doubtful whether that establishment is not more of a nuisance, than a benefit, to the banking interests and the trade of the Country.

Indeed, it seems to me inevitable, when the Government and the Public become fully alive to the extremely inconvenient and sometimes injurious working of the existing system, that some effectual remedy will be sought and applied.

SECTION 26.

Outline of a Plan for an Improved System of Administration of the Bank of England.

The objections which I have stated as applying to the present constitution of the Administrative body of the Bank, range themselves under two principal heads:—

(1.) The changeableness in the character and position of the constituent parts of the Court, in

consequence of the short tenure of the seats of the Governors;—the annual election of Directors:—and the system of rotation by which eight Directors go out at each election and are not re-eligible till the following year.

(2.) The unsatisfactory manner in which important questions affecting the convenience and interests of the public are discussed and decided.

The object of the plan which I propose, is to remove and remedy these objectionable features of the present system:—

(1.) By giving greater permanence to the constituent parts of the Direction.

(2.) By enforcing more deliberate discussion, and applying precautions against hasty and capricious decisions.

The main features of the change which I would suggest, are:—

Three Governors instead of Two; namely, a Governor; Sub-Governor; and Deputy-Governor.

The three Governors and twenty-four Directors to be elected for three years; instead of one year as now.

The three Governors to be re-eligible at each period of triennial election. The two Governors under the present system are re-eligible for election by the Directors for a further term; but the practice has been against re-election, excepting under peculiar circumstances, such as the two last renewals of the Charter, when the Governors were continued in the Chairs for one year longer.

Of the Twenty-four Directors, Twenty only to be re-eligible at the end of the three years. But if, in the intervening period before the next ensuing election, there should be a vacancy, or vacancies, among the twenty re-elected, such vacancy or vacancies to be filled up from among the four ex-Directors. To this extent only would the change be required to be made by Act of Parliament; and to

this extent there is precedent and example in the case of the companies to which I have alluded.

The first of the two main objects in view,—namely, the greater permanence of the constituent parts of the governing body,— would thus be attained.

The other very important object, of imparting or enforcing more deliberate discussion, and more calm judgment in decision, which I will consider separately hereafter; would require to be carried into effect by bye-laws and by rules and regulations; the former to be drawn up by the Directors themselves and sanctioned by the Proprietors; the latter relating chiefly to their own observances.

The novel features of the plan proposed under the first head are:—

(1.) The appointment of a Third Governor. (2.) Triennial instead of Annual elections. (3.) A rotation of four Directors going out triennially, instead of eight going out annually.

These changes, with the exception of the appointment of a Third Governor;—the reason for which appointment I will presently explain;—are proposed with a view to give more permanence to the position and character of the constituent parts of the administrative body of the Bank.

The question of the tenure of the Chairs by the Three Governors I will reserve for consideration till after I have disposed of the alteration in the election and rotation of the Directors.

The present Annual Elections of the Directors are only of importance, or more than a mere matter of form, by the rotation of eight going out, and eight coming in, in each year; upon which I have observed at some length already.

There is, in this case, a change of persons for a twelvemonth; and only for a twelvemonth. The whole body of Directors may be considered practically, as regards the proprietors or the public, as consisting of thirty-four members; of whom eight

may be considered in their acknowledged capacity of ex-Directors, as passive, or stagnant, or dormant members of the body; to alternate at the end of a twelvemonth with eight of the active members. Now, in the case of triennial elections, twenty out of the twenty-four being re-eligible; the change is only of four persons in three years, instead of twenty-four in three years, as is now the case.

In the first case, the inconvenience of a change is maximised (for it is impossible that exaggeration of the principle and practice of rotation can go further than in the case of the Bank), while, in the plan which I have proposed, it would be minimised; and I believe that very few of my readers could be found to say that this would not be a very great improvement.

Then with regard to the Election of Governors (without reference for the moment to the office of a third Governor), the mere prolongation of the tenure from Two years for each Chair to Three years each; making six years instead of four, would be of advantage as far as it goes. But the Governors being re-eligible at the end of three years, they might be continued for a further period in the occupancy of the Chairs, if found in all respects competent and suitable and willing to retain them; and the chance is, judging by the examples that I have in view, that they would occasionally be so continued.

Now supposing the whole alteration proposed to be confined to the objects here pointed out, namely, triennial instead of annual election; a rotation of only four at the end of three years instead of eight at the end of one year; and a longer tenure of the Chairs; the objections under the first of the two heads that I have stated, to the present system;—namely, the changeableness in position and character of the body of the Direction;—would in a considerable degree be obviated. And I cannot

help thinking that if to this extent only, the advantages of the plan which I have suggested would be abundantly sufficient to justify the change; and the framework for it might be adopted without inconvenience, and without any possible disturbance of or detriment to existing interests.

And to this extent only (besides that of the appointment of a third Governor), would an alteration, as I have have before observed, of the provisions of the Charter by Parliament be required.

But the second class of objections could not be remedied except by the Directors themselves introducing into their bye-laws, and into their codes of rules and orders; such modes of proceeding as should be calculated to ensure more deliberate discussion, and more calm and consistent judgment, in deciding on all important questions in which not only the interests of the proprietors, but the interests and convenience of the Public, may be involved.

And it would be in the competence of the Directors alone, to devise and to carry into effect the means and methods by which the object in view might be best accomplished.

All that I now venture to do is to submit for their consideration, one or two of the suggestions that occur to me as to the observances among themselves, that might be most effectively and beneficially conducive to the end proposed.

I have pointed out at page 620. the very inconvenient mode in which it is commonly supposed that measures of importance are discussed and debated in a full Court of all the Directors, and are decided by a simple and bare majority.

In order to remedy this obvious, palpable, and very great inconvenience, I would, as I have before stated, propose in the first instance to invest the Governors with greater discretionary power.

Of the present extent of their discretionary

power I have no means of judging; except from their evidence in 1848, and from those of their acts in which the public is concerned. It appears by the evidence of the Governor, as I have before observed, that his opinion was overruled on a very important occasion in 1846; and it has been rumoured among persons having, or fancying they have, a pecuniary interest in the decisions of the Bank Courts, that in some of the instances of important changes in the Rate of Interest since that time, the divisions have been close run; and I do not know whether in the case of those divisions the Directors in full Court exercised a privilege of originating motions for alteration of the Rate of Interest. This could not be the case if the Governors were possessed of the discretionary power which I think it of importance should be placed in their hands.

It would be desirable that no question of an advance or reduction of the Rate of Interest, should be brought forward, and discussed in Court, that does not originate with the Governors and Committee of Treasury. This may possibly, for anything that I know to the contrary, be the rule at present. But it would be expedient, according to my view, that the authority of the Governors should go much further. Not only should they originate all questions of the kind; but their recommendations distinctly stated should not be overruled by a bare majority of either the Committee of Treasury, or of the full Court; nor without the formality of having the names of the Directors taking part in the vote recorded in the Court Minutes.

It is with a view chiefly to the exercise of this preponderating authority that I would propose the addition of a Third Governor.

I feel strongly that there are numerous and weighty reasons for this increased number of Governors.

In some points of view these reasons are obvious; such, for instance, as in the case of illness of the Chief, there would still be two Governors to confer with the Chancellor of the Exchequer in cases of importance relating to the Government business with the Bank. In cases of emergency, also, such as cannot but frequently arise in that vast establishment; there would, in the event of the necessary absence of one of the Governors, be the advantage of the authority and weight of two Governors to discuss and decide on the measures to be adopted.

But the principal and determining reason for a third Governor is in the regulation of the amount and character of the Securities; and, as connected with these, the very important consideration of the Rate of Interest.*

A third person in the discussion of difficult and delicate questions involving the consideration of a great variety of contingencies, is of great advantage both as a moderator between two perhaps, antagonistic opinions, and as, probably, suggesting additional facts and views which had not occurred to the other two. And there would be this further great advantage, that the proposal coming before the Committee of Treasury, and the Directors, as the united judgment of three highly competent persons, would naturally carry much greater weight than if proceeding from two only. When I say the united judgment of the three Governors I mean, — that although in the discussions among them there will necessarily be

* The appointment of a Third Governor would carry out the idea which Mr. Brown seems to have entertained when he suggested (see page 117., *anté*), that if the greater discretionary power which he recommended were conferred on the Governors, the Cashier should be joined with them in consultation in the exercise of it. Mr. Brown, I think, would admit that the object which he had in view would be best fulfilled as I have proposed.

shades of difference of opinion, those differences on all but extraordinary occasions ought to be confined to themselves. Their proposal, when laid before the Committee of Treasury, or the Court, must be presented, and considered, as the result of the united opinion and recommendation of the three Governors.

Some exceptions from this rule on extraordinary occasions may be imagined: —

Suppose for example that, in some case susceptible of wide difference of opinion, the Sub- and Deputy-Governors, should take a view directly opposed to that of the Chief Chair; and involving, as that difference might, a question of principle, which, they might conscientiously believe, rendered it incumbent upon them not to yield to the view of the Governor, who might be equally tenacious — there would then be no alternative but for the Governor to state to the Committee of Treasury, or to the Court of Directors, his own views; adding, that both his colleagues differed from him; the grounds of difference being contained in a written statement prepared by them; and the Committee, or the Court, would have to decide upon that difference. But, in this case, if the decision were in favour of the Sub- and Deputy-Governors; it may be a question whether it should be by a bare majority, or by a larger proportion of the Directors: — I incline to the latter.

It is to be inferred from this outline that my Plan supposes that the authority and power of the three Governors should not be Co-ordinate; and it proposes that the preponderance of the authority of the Chief Chair should be declared, either by the bye-laws or by a rule of the Court of Directors. And a distinction of salary in favour of the Chief Chair ought to be an accompaniment of the distinction in point of authority.

Upon matters so debatable as the rate of in-

terest, and the expediency of considerable financial operations, it is highly important that the opinion of the Governor should be preponderant with his colleagues in the Chairs; not from mere personal deference, which might or might not be accorded; but, by a rule such as I have suggested. It might not unfrequently happen that light impressions and ill-considered reasons, might outweigh in the minds of his associates his more deliberate opinions and recommendations; and, if they were habitually tenacious, they might out-vote him in his own immediate council. It is to guard against such possibility of levity of opposition, that the obligation (if they were tenacious of their opinion) of stating their grounds of difference in writing, should be imposed upon them; and, generally speaking, such a precaution would serve as a check upon the occasional wantonness of a spirit of contradiction.

If a proposal or recommendation coming from the Committee of Treasury, including the Governors, and laid before the Court of Directors, should give rise to any difference of opinion, and a negative or amendment were moved upon it; the motion should be stated in writing, and with the names of the Directors voting for and against inserted in the minutes. A majority of not less than two-thirds of the Directors present to be requisite for carrying the negative, or the amendment.

The greatly increased discretionary powers, which it is proposed by this plan to give to the Governors, presupposes that they would be selected with such reference to fitness as would ensure the confidence of the Directors; and would impress upon the public a favourable opinion of their competence.

But here I am aware of an objection, the weight of which I admit to be considerable. There is a difficulty, as has before been observed, in

the selection of Governors to serve two years in each of the two Chairs; on account of the great confinement, and the abstraction of their time and attention from their own affairs. This difficulty would apply in a greater degree to prevailing on fit persons to serve for three years each even in the two Chairs; and still greater would be the objection to serving three years in each of three Chairs.

If this difficulty could not be got over in the arrangement which I have proposed, there is a mode of accomplishing the object of selection in a more efficient manner. And if I did not state it in the foreground of my Plan, it was because I think it probable that it would meet with more objection on the part of the Directors than that which I have first sketched: —

It is, that the fittest persons for the three situations should be sought without the walls of the Bank, if they were not to be found within; and be induced, by high salaries, to give up any other business they might be engaged in, and to devote all their time and attention to the affairs of the Bank. In this way there can hardly be a doubt that the services of persons of the highest order of ability, suited to the situations to be filled, might be secured. And as little can there be a doubt that, with Governors so eminently qualified; and with rules and regulations provided by the Directors as precautions against their own liability to crude discussion and hasty decision; the Bank of England would command an amount of confidence, both from the public and the Government, beyond any that it has enjoyed for many years past.

Objections in abundance may and probably will, be brought to bear against this, or indeed any other scheme that may be suggested, involving so great a change as that which is here offered for

consideration; and I am inclined to think that it is the magnitude of the change, that will constitute the greatest obstacle to any serious consideration to the Plan I have proposed. But of this I am convinced,—that a large proportion of the best informed among the mercantile and banking community; although they might object to the change on account of its novelty and magnitude; would yet, if called upon to pronounce distinctly on its merits (without taking the objection to the mere change into consideration), have no hesitation in admitting the scheme I have sketched, to be a great improvement upon the constitution of the Governing Body of the Bank as it now exists.

SECTION 27.

Statement of the several Conclusions arrived at in the Course of the Present Inquiry relative to the Bank Charter of 1844.

I will now enumerate the conclusions which, in the course of this inquiry, I have sought to establish; or, in other words, the opinions which it has been my purpose to set forth.

1. That the obligation to satisfy all contracts or engagements, expressed in terms of money by the payment of specific quantities of Gold and Silver Coin of certain fineness, is the cardinal principle of all sound monetary legislation.

2. That, as a matter of fact, the maintenance of such a Metallic Standard; and the enforcement by law of strict conformity to that standard of all Paper and other forms of Credit; has, for a long period, been the law and practice of this country,

— the only exception being the period from 1797 to 1819, — when, for reasons of State policy, the obligation of Cash Payments was suspended.

3. That the Act of 1819 fully and effectively restored the Payments in Cash suspended in 1797; and that the Act of 1844, so far from being a "*Complement*" or additional security to the maintenance of the measure of 1819, is a source of danger to it.

4. That there is great unfairness in the charge brought against a large majority of those who, with myself, are opposed to the Act of 1844, to the effect, that we seek to restore a Paper Currency not limited by a Metallic Standard; for I can say for myself, and for those with whose opinions on the subject I am best acquainted, that we do not yield to the upholders of the Act of 1844 in attachment to the principle consecrated and effectually maintained in operation by the law of 1819.

5. That the claim set up in behalf of the Act of 1844, to the effect that the amount of Bullion in the Bank has, from the date of its enactment to the present time, been larger than, but for the Act of 1844, it would have been, is utterly unfounded and inadmissible; inasmuch as there is the strongest presumptive proof that the Act had not and could not have the effect alleged; the new source of supplies of Gold from Russia serving to account for the largeness of the treasure of the Bank from 1844 to 1847; and the still larger supplies from Australia serving to account for the greater amount of the treasure since 1847.

6. That there is the strongest reason to believe that, had it not been for the new and enlarged

supply of Gold from Russia, the Act of 1844 would not have come into existence; and that, had it not been for the discoveries of Gold in California and Australia, the Act could not have been maintained in existence to the present time.

7. That Bank Notes are not Money in any sense which does not also include other forms of Paper Credit; nor (as contended by Sir Robert Peel and his party) have Bank Notes any influence on the Foreign Exchange, or on Prices greater than, or different from, other forms of Credit.

8. That the assumption, also by Sir Robert Peel, that Bank Notes, strictly convertible into Coin at the will of the holder, have been and may be depreciated;—or, in other words, the allegation that there may be, as it is said there has been, a *disparity* between Gold and the Paper which circulates with it *at par;*—is a fallacy unsupported by experience and unintelligible in reasoning; or rather, with reference to the definition, is a contradiction in terms.

9. That there is no foundation in argument or authority for the allegation, that the issue or creation of Bank Notes is exclusively and solely the peculiar function or province, or prerogative or privilege, of the Sovereign or State.

10. That the assumption of a Purely Metallic Currency, as the type or model of a Perfect Circulation, proceeds wholly upon a mere fiction of the imagination; inasmuch as we can neither refer to the authentic records, nor to the actual existence, in this or other countries, of any such Metallic Model.

11. That, according to the hypotheses that can be most carefully framed of what would be the

action of a Metallic Currency, we have the fullest reason to conclude, that the actual variations in amount of our existing mixed circulation of coin and convertible paper do not, and cannot, differ from what would be the variations in amount of a Metallic Currency. And hence, that the conditions of the supposed Metallic Model, as far as it can be intelligibly described, were fulfilled by the Currency of this country previous to the measure of 1844; and have not been fulfilled to any greater extent, nor in any better mode, by the aid of that measure, since 1844.

12. That, consequently, the leading tenet of the doctrine of the new school, which assumes and asserts;—that the Circulation, as it existed prior to 1844, did not conform in its variations to what would have been the variation of a Metallic Currency, and was therefore vicious in principle and pernicious in practice;—is not maintainable as a ground for the support of the principle of the Act of 1844.

13. That equally unfounded is the proposition which maintains that the union of the functions of Issue and Banking in the Bank of England is incompatible with a due regulation of the amount of the Issues. On the contrary, the blending and combination of the two functions is not only compatible and congruous, but highly expedient, as a means of promoting the interests and convenience of the public; and is, moreover, better calculated to secure the maintenance of Specie Payments than the present system of separation.

14. That a great mistake was committed by the framers of the Act of 1844, in the assumption, that

the Banking Department of the Bank of England admits of being conducted in the same way, and with only the same effects on the interests and convenience of the Public, as any other non-issuing Joint-Stock Bank.

15. That, by the plan of Separation, a distinct Reserve of Gold is provided for the security of the Circulation, which is the part of the Liabilities least exposed to fluctuation; while the other class of Liabilities, which are subject to a wider range of fluctuation, are left unprovided with any similar security.

16. That this separation of the functions of the two Departments, which were erroneously held to be incompatible, has caused them to become actually antagonistic; insomuch that, in a time of pressure such as 1847, an increased demand for Bank Notes acts directly in diminution of the Banking Reserve; instead of acting as such an increased demand for Bank Notes would do under a state of union of the two Departments, in positive relief of the pressure on the Bank.

17. That the opinion which I expressed, when writing on the subject in March, 1844;—"That the "total separation of the business of Issue from that "of Banking is calculated to produce greater and "more abrupt transitions in the rate of interest "and in the state of credit than a system of union "of Departments;"—has been amply borne out by experience.

18. That the eventful and varied experience of the last eleven years has proved that, under the plan of a Separation of the Departments, the changes in the Rate of Interest, and in the state of

Credit, have been far more abrupt, frequent, and violent than under the previous system.

19. That these frequent and abrupt changes, have been aggravated by the erroneous and exaggerated view, taken by the Directors of the Bank of England, of a duty which they appear to have supposed to fall upon them, of conducting the business of the Banking Department, in a rigid obedience to what is called the principle and spirit of the Act of 1844.

20. That the errors of Management chargeable against the Bank Directors, as well before as since the measure of 1844, seem to be referable in no small degree to faults in the Constitution and Composition of the Governing Body of the Bank.

21. That the practice of deciding on so important a measure as alterations of the Rate of Discount, by a mere majority of a numerous Board of Directors, after a brief and perhaps hurried discussion taking place at a weekly meeting of the Court, is a practice highly objectionable; and that, in truth, it is not easy to suppose a machinery worse calculated to accomplish the end in view.

22. That it is to be regretted, that in 1844 Sir Robert Peel did not apply his eminent administrative talents to improve the constitution of the Governing Body of the Bank, instead of committing himself to dogmatic legislation on the general subject of the Currency—a subject the knowledge of which he clearly had not mastered.

23. That next, therefore, to the abrogation of the Act of 1844, as it relates to the division of the Departments of the Bank of England; and to restrictions on the Circulation of Bank Notes; the

most important question relating to the Currency which can occupy the attention of Parliament, will be the application of a remedy to the obvious faults in the Constitution, and Rules of Management, of the Governing Body of the Bank of England.

Supplementary Chapter.

Continuing the Narrative of the Seasons, the State of the Corn Trade, and the General Review of the Prices of Commodities other than Corn, to the early part of 1857.

In the former part of this Fifth Volume, I have (v. 214.) completed the narrative of the Seasons, and of the state of the Corn Trade, to the close of September, 1856; and I have (v. 338.) also given a general statement of the Prices of Commodities during the first nine or ten months of the same year (1856).

I have now to avail myself, in the form of a Supplementary Chapter, of the opportunity of completing, for the whole of the year 1856, the narrative and statements already laid before the reader for the greater portion of it.

The opportunity of estimating the real commercial character of the whole year 1856, is valuable on many grounds.

It is quite obvious, in the first place, that the entire business of this country, and, indeed, of Europe and America, has been materially affected by the sudden termination of the War in the early months of 1856. Calculations of supply and demand, at the close of 1855, had nearly all been formed on the supposition of a vigorous renewal of hostilities; and the accomplishment of a Peace at a time and in a manner the least foreseen, has produced extreme fluctuations of price in a large range of commodities.

We shall find that, as a general rule, 1856 has closed with High Prices, and with a prevalence of speculation in the markets, for commodities; not

perhaps of any formidable character, but all more or less based on the expectation of prices still higher, to be occasioned by failing supplies or increased consumption.

It is exceedingly important to ascertain, in as many cases as possible, how far the High Prices actually current, and considered to be in prospect, are clearly and distinctly traceable to purely mercantile causes affecting supply and demand. For we must bear in mind that, having arrived at the end of the Ninth Year since the Gold Discoveries, it is incumbent upon us to watch carefully every marked indication of advance upon the former level of Prices.

I have first to refer to the character of the Season since September, 1856, and to the course of the Corn Trade.

I.

The Autumn of 1856 may be considered upon the whole to have been favourable for the sowing of Wheat. In the weather of October and November there was nothing to remark upon, unless it be that there was a very dense fog on the 29th of October, extending throughout the valley of the Thames. There was no frost worth mentioning till the 28th of November; when it set in with some severity, and lasted till the 4th of December. During that interval, a good deal of snow fell in different parts of the country; but hardly any in London, or its immediate neighbourhood. From the 4th to the 24th, variable, but without frost; which set in sharply again on the 25th, and disappeared on the 30th. There were two instances in the month, of extraordinary variation in the barometer; viz. on the 12th, and again on the 26th;

on each of which days the mercury fell to 28·90, the fall being attended with heavy gales of wind.

On the Continent of Europe, the winter set in much earlier than usual, and with great severity and heavy falls of snow.

The Corn markets in this Country declined progressively to the close of the year. The weekly average, which on the 25th October had been quoted at 66*s.* 4*d.*, receded to 58*s.* 1*d.* on the 3rd January, 1857.

The experience, thus far, of the threshing out of the Wheat Crop of 1856, tends to prove that greater damage had been sustained by it, from the unsettled weather, and the heavy rains which prevailed after the first ten days of August until the close of the harvest, than had at first been apprehended. The deterioration of condition thence arising, and the consequent diminution of yield, apply to a large proportion of the entire Crop, and serve to account for the much higher than usual relative prices obtained for foreign compared with home-grown corn.

The Importations, however, in 1856, subsequent to July, have been very considerable, compared with the immediately preceding years. Thus,

Importations of Wheat and Wheat Flour (stated together in Imperial Quarters) into the United Kingdom, in the Months as under.

Months.	1856.	1855.	1854.	1853.
	qrs.	qrs.	qrs.	qrs.
August - - -	988,000	386,000	426,000	929,000
September - -	847,000	200,000	182,000	932,000
October - - -	597,000	261,000	184,000	728,000
November - -	488,000	368,000	575,000	718,000
	2,910,000	1,215,000	1,267,000	3,307,000

The Importations, August to November, 1856, therefore, have been nearly as large as in 1853.

The deliveries of Home-Grown wheat have been as follows:

SALES of WHEAT in the INSPECTED MARKETS of ENGLAND and WALES, August to November, 1853–56.

Months.	1856.	1855.	1854.	1853.
	qrs.	qrs.	qrs.	qrs.
August - - -	292,000	331,000	171,000	322,000
September - -	401,000	519,000	386,006	384,000
October - - -	531,000	595,000	600,000	471,000
November - -	529,000	505,000	511,000	287,000
December - -	408,000	550,000	565,000	348,000
	2,161,000	2,500,000	2,233,000	1,812,000

The Sales of August to December, 1856, are considerably less than those of 1855.

The two preceding statements continue, to the close of 1856, the details given in Tables (C.) and (E.) in Appendix V. (VI. 466–8.); and the following statement will continue, to January 1857, the statement in Table (A.) in the same Appendix (V.), of the Weekly Gazette prices of Wheat.

WEEKLY GAZETTE AVERAGE PRICE of WHEAT (per Imp. Qr.), in ENGLAND and WALES, September, '56, to January, '57.

Weeks ended	Imp. Qr. s.	d.	Weeks ended	Imp. Qr. s.	d.
1856. 6 Sept. - -	73	2	1856. 1 Nov. - -	66	0
„ 13 „ - -	69	6	„ 8 „ - -	65	3
„ 20 „ - -	64	5	„ 15 „ - -	64	4
„ 27 „ - -	64	4	„ 22 „ - -	63	3
			„ 29 „ - -	61	11
„ 4 Oct. - -	65	0			
„ 11 „ - -	64	9	„ 6 Dec. - -	60	11
„ 18 „ - -	65	9	„ 13 „ - -	60	1
„ 25 „ - -	66	4	„ 20 „ - -	60	5
			„ 27 „ - -	59	8
			1857. 3 Jan. - -	58	1
			„ 10 „ - -	58	10

I may conclude these details with the following extract from the Mark Lane Express of the 5th January, 1857, which gives a brief sketch of the most prominent features of the Corn Trade during the year 1856.

"The commencement of 1856 was characterised by the lodgment of the allied armies on Russian soil, with gigantic preparations for a renewal of the struggle in the opening spring: all pacific counsels being well nigh considered impossible. But on the elapse of only seventeen days a rumour became general that Austrian intervention had commenced, which, however, was as generally distrusted. Still, these reports coming when prices were at about their highest point, viz., 76*s.* 10*d.* per qr., produced an immediate effect throughout the country, from which the markets did not recover till the smallness of stocks towards harvest, and the heavy and devastating rains which then occurred, sent the averages up to 77*s.* 10*d.* on the 7th of August. From that point, with fluctuations varying from 1*s.* to 5*s.* weekly, they have at last receded to 59*s.* 8*d.* per qr.

"The reduction traceable to the effect of Peace amounted to about 10*s.* per qr., and transpired in the course of three weeks in February. We estimate the remaining difference of 7*s.* per qr. to the generally inferior condition and damage of the crop of 1856.

"The spring opened with some fears as to the ravages of insects on the growing plants; but these reports happily applied to certain localities only, and there was little uneasiness on any score, except as to the holding out of stocks till harvest, even with the most liberal importations from America, and the opportune aid of Russian supplies. On this head we admitted our doubts, and did our best to secure a sufficient supply; while the fact that the weekly sales noted at the close of August amounted to no more than 40,895 qrs., fully justified the views we entertained, for they were then little more than half the quantity of the previous season of 1855.

"As harvest time drew nigh, an almost tropical heat produced a simultaneous ripening of the grain throughout two-thirds of the kingdom. The first gatherings had an Australian dryness, and a complete change to lower prices was in prospect, when down poured the rain upon the ripening corn. Yet while we deplore the measure of injury done, especially in Scotland and the North, the nation pays but a moderate price for the necessaries of life; and our agricultural friends in the South, though somewhat disappointed, are not without fair remuneration.

"The stores of Russia availing till the new and abundant

crop of America was gathered, millers have been at no loss as to the management of our own crop, which hitherto being only worked off in moderate quantities, will be more serviceable after March. As to future prices, we are inclined to consider them more susceptible of improvement than otherwise — the whole world having commenced its consumption with little, if anything, beyond the year's produce as its dependence. The crops of Spain and Portugal have proved an almost entire failure, those of Italy scarcely reaching to its necessities, France being certainly short, as well as Belgium and the Baltic, Russia itself not over-abundant, and America alone in a condition to meet serious claims, which have been so freely met already that New York has not been so bare for years."

II.

Let us now seek to ascertain what has been the general course of the markets for the great articles of food and comfort classed as Colonial and Tropical Produce; namely, Sugar, Tea, Cocoa, Coffee, Tobacco, &c.

The general state of these markets in 1856, is described in the following extract from the Annual Review contained in the Circular of Messrs. Trueman and Rouse, of London.

"The past year (1856) has been characterised by great and rapid fluctuations in our Produce Market, and at times by great excitement, the result mainly of the transition from War to Peace, and the absence of correct data and experience to indicate its probable effects.

"Those articles which had been raised in value by the War, such as Rice, Rum, Linseed, Tallow, Oils, Hemp, &c., fell in the first four months of the year 30 to 40 per cent.; but it was soon discovered that exaggerated estimates had been made of the supplies which would be set free by Peace, while, on the other hand, its stimulating effect upon consumption had been overlooked; prices, therefore, speedily rose, and, in some cases, have almost regained their war point. Linseed fell from 78*s.* to 48*s.* and is now 63*s.* per qr.; Tallow from 68*s.* to 45*s.*, and is now 59*s.*; Cocoa-nut oil from 46*s.* to 35*s.*, and is now 50*s.* per cwt., and so on through the list; Rice, from the over-

whelming stock, being almost the only exception to the general recovery.

"The most important article of Colonial produce, Sugar, from causes foreign either to War or Peace, between January and March declined 22 per cent., and from that point has advanced fully 50 per cent.

"The present year (1857) opens with High Prices of nearly all the leading articles of consumption and the Raw Materials of our industry, which will naturally suggest caution, as in the chapter of accidents a decline is more likely to take place than an advance; but as respects Colonial produce, it seems to be now an established fact that the production of the world is barely adequate to its wants; any important fall will, therefore, probably be followed by a speedy reaction, and for this reason we anticipate that 1857 will be marked by as great fluctuations as its predecessor.

"The Rate of Interest is likely to remain high, for the immense number of new foreign and domestic enterprises, especially the former, will absorb all the available floating capital; but, on the other hand, its greater diffusion amongst the population, to whom the carrying out of these schemes will give increased employment, will stimulate the consumption of all kinds of produce and manufactures, and experience has shown that when this is the case trade may be extremely prosperous even in conjunction with a high value for money."

And the following is the special report on the Sugar Market by the same parties.

"It will not easily be forgotten that the violent speculation in Sugar, in the autumn of 1855, was followed by a great and sudden reaction and stagnation in the market, which continued until March of 1856. It then became evident that the production would be barely adequate to the European requirements; the continent, which under the influence of our high prices had exhausted its stocks by large shipments to this country, began to draw supplies from hence, and prices showed a tendency to improve; this has continued with occasional pauses ever since, and, taking middling West India as a standard, we close the year (1856) at an advance of 12*s.* per cwt. from the lowest point.

"The imports of 1856 have exceeded those of 1855 by 24,800 tons; the Mauritius has contributed an excess of 8,800, the British East Indies 14,900, and other countries 4,400; the British West Indies alone show a deficiency, and that to the trifling amount of 8,300 tons. The consumption of the United Kingdom in the eleven months ending 30th Nov. was, according to the Board of Trade tables, 350,800 tons, against 372,699, showing a deficiency of 21,890 tons. This

considerable falling off must be mainly ascribed to the consumers having been induced to restrict themselves in the use of sugar during the reign of high prices, and when prices fell they did not return to it; the bad fruit season has also, doubtless, had somewhat to do with the decreased consumption."

On the state of the Tea Market in 1856, Messrs. W. J. and H. Thompson, of London, report as follows: —

"The review of the course of the Tea Market during the past year, 1856, presents the ordinary consequence of an excess of supply over demand — undue depression, followed by its opposite feature — great and rapid reaction, so soon as the weight, even by anticipation, was removed.

"The market opened with extreme heaviness, the unsettled state of political and monetary affairs aiding to depression; and although the importers for some time continued, by holding firmly, to endeavour to give confidence, it was of no avail; depression prevailed, and with scarcely *a variation up to September, prices showed a continuous decline.*

"The letters received early in October, referring to the question of future supply, imparted more confidence and led to some improvement; this, however, was checked by the sudden increase in the value of money; but in the following month (Nov. '56), speculation again fairly set in — directed at first, however, chiefly to the blackish-leaf congou; general revival followed, and the market altogether assumed a healthy tone. Subsequently it became highly excited—general business largely increased, speculation being carried on on a most extensive scale, and prices rapidly advancing; when the startling news of the total suspension of trade at Canton, consequent upon our military operations in that quarter (the first reports of which, received by the bi-monthly mail, in Dec. '56, had not been duly estimated), caused a further rise of 1*d.* per lb., being 3*d.* per lb. on common, 4*d.* to 5*d.* per lb. on blackish leaf, and 3*d.* per lb. on Kaisows, within the three months, but mainly the result of the last few weeks, or in some kinds of even a few days.

"In the late speculative operations the anticipated effect of the reduction in the duty in April (1857) to 1*s.* 3*d.* per pound has been an element, as well as the expected falling off in the supplies; and so very large an amount has now been taken off the market that we must for some time to come look to the action of speculators, rather than to that of the regular importers, as influencing future prices. The stock is now sufficient for fifteen months' deliveries, and may be expected to increase till the new duty comes into operation.

"The imports into the United Kingdom have been 87,741,000

lbs. against 83,300,000 lbs. in 1855; the deliveries for home consumption, 63,000,000 lbs. against 63,000,000 lbs. in 1855; the deliveries for exportation, 6,241,000 lbs. against 15,000,000 lbs. in 1855; the stock remaining on the 31st December was 88,000,000 lbs. against 69,500,000 lbs. in 1855.

"The imports have exceeded those of last year by about 4½ millions; being 18½ millions beyond our requirements. The aggregate deliveries show a falling off of nearly 9 millions; but this is altogether due to the partial cessation of export demand, the home consumption being exactly as last year. It is, however, only reasonable to expect that the reduction in the duty will lead to increased consumption, unless, indeed, the benefit be for a time lost by any great increase in the bonded price. The stock is excessive, and equal to 15 months' deliveries at the rate of the present year."

The Circular of Mr. H. N. Davis gives the following account of the prices in 1856 of Tobacco.

"The year 1856 opened under unusually favourable auspices for a good range of prices, as the Stock in Europe was reduced to less than half the average of the nine years preceding, and it was evident that more than one excessive crop in the United States was required to augment stocks so as prejudicially to affect prices. In the autumn of 1856 it was ascertained that about one-half only of the crops had been harvested in good order, while a part was prematurely cut, and that which remained standing was overtaken and damaged by frost.

"The effect of these casualties was immediate. In this country so small a proportion of the fresh supplies was sampled, and orders were so peremptory from shippers to withdraw from sale, that it was difficult to secure any parcels, even at an advance of 2*d.* per lb.; but holders of old stock took the opportunity to realise. With the continued anxiety to purchase, prices experienced a further advance of from 1*d.* to 2*d.* per lb., and attained a point, towards the end of the year 1856, equal to that established in 1850 by the influence of a powerful speculation, at a time when the stock in Europe was double what it is now.

"The aggregate export from America shows an excess upon that of the former year, and materially so upon the average; still the stock in Europe presents at this time a slight variation only from that of the last year, and is 24,483 hhds. below the average, and, bearing in mind that the crop to come forward will be a small one, it would appear that the stock remaining in America and Europe will be nearly absorbed, provided the consumption continues in the same ratio it has latterly been, before another crop can be made available.

"In elucidation of this remark it may be observed, that the combined stocks now in America and Europe, allowing for that held by Regies, is 73,000 hhds., and the crop grown in 1856 — estimated at 138,000 hhds.—gives 211,000 hhds. as the supply; and, deducting the consumption as heretofore, the aggregate stock at this time in 1858, including that held by Regies, will be nearly exhausted.

"This is the principal cause that has brought about the present elevated range of prices in every market; and, although they may be affected by anticipation of extensive crops this year — which no doubt will be attempted to be raised in all Tobacco-growing countries—it must be remembered they cannot be available in the markets of consumption till towards the end of 1858. Experience, however, shows that anticipation materially affects markets, and therefore the cultivation this season will attract the particular attention of the trade. Although high prices seem justified by existing circumstances, they have already attained a susceptible point, and seem to have reached the views of shippers, who have, by recent letters, given more discretionary power to their agents here."

As regards Wine and Brandy, there is the following report by the United Vineyard Proprietors' Company of Cognac.

"This year's (1856) produce of wine in our district is estimated at something *less than half an average crop;* and a large portion of that having been taken for the consumption of those districts of the country where there has been a total failure of the vintage, it necessarily follows that the quantity of genuine Cognac brandy to be distilled this year must be small; and it is to be apprehended that it may be further reduced by those attempts at adulteration, which are too frequently the consequence of great scarcity.

"The stocks of 1855 and older brandies are very nearly exhausted; nor can that be a matter of surprise, when it is considered that this is the fifth failing vintage in as many consecutive years. Under these circumstances, it may be readily understood that the few really fine brandies, new or old, still in the hands of the farmers, will not be parted with, except at exorbitant rates, which must gradually further advance from time to time as the real scarcity of fine brandy becomes more and more apparent."

III.

In the third division we have to include the leading Raw Materials,—Cotton, Wool, Silk, Oils, Leather, Timber, &c.

From the Circular of Messrs. Williams and Smallpage, of Liverpool, we have the following report of the Market for Raw Cotton.

"In the year 1856 there has been a greater fluctuation in the price of Cotton than for many years past.

"The year opened with discouraging prospects for consumers, for the stock on hand was very moderate, money was dear, and the consumption large. The month of January (1856), however, opened dull, with middling Orleans quoted at 5⅝*d.* per lb., when the fear of a further rise in the rate of discount caused a decline of ¼*d.* per lb. Later, however, in the month, on the announcement of the unconditional acceptance by Russia of the terms of Peace proposed by Austria and the Allied Powers, a complete reaction took place, and, with a corresponding improvement in the Manchester Market, prices continued to advance; and the month of January closed with middling Orleans quoted at 5⅞*d.* General activity ensued throughout the remainder of the year.

"In the present month (Dec. 1856) the advance has been the most important and the most rapid of the year. The reduction in the rate of discount, and the very unfavourable accounts received respecting the probable Crop, have stimulated alike both the trade and speculators; and as the advance in this market (Liverpool) has, to a considerable extent, been followed up by that of Manchester, a large business has been done during the month, at almost daily hardening prices.

"The present year (1856) opened with no flattering prospect for consumers; and, notwithstanding, the consumption has again realised a figure unprecedented in former years,—the increase in the consumption in Great Britain this year (1856) over 1855 (allowing for the increased weight of bales this year) being equal to 3,100 *bales per week.* To Manufacturers, however, 1856 has again been a year of disappointment, and they have with difficulty been enabled, more especially of late, with so rapidly an advancing Cotton Market, to dispose of so greatly an increased production at any thing like remunerative prices.

"The prospects of the coming year (1857) are even more unfavourable than those at the commencement of 1856. *Then* we had 153,730 bales more in stock (the stock in Liverpool, says another authority, was less in December, 1856, than at

any stock-taking of the same period through the last 14 years), nearly 50,000 bales more American cotton on the water for this country, and the prospect of a crop of 3,500,000 bales. *Now* we have but eleven weeks' consumption of all kind of cotton in the hands of spinners and in the ports of Great Britain, and the prospect of an American crop not much over 3,000,000 bales."

Messrs. Robert Barbour Brothers give the following outline of the Manchester Markets in 1856 for Cotton Manufactures.

"Throughout the year 1856 this district has fully shared in the unexampled energy which has characterised the general industry of the country. While the total exports of the year are expected to exceed those of 1855 by about 20,000,000*l.* sterling, or 20 per cent., there is every probability of the exports of Cotton yarn and Manufactures showing an increase, during the last 12 months, of 10 per cent. over 1855, and 20 per cent. over 1854.

"The tendency in prices has been almost invariably upward throughout the year 1856, but the advance on yarn and Goods has not kept pace with the raw material. Cotton, during the twelve months, has advanced 1½*d.* to 1¾*d.* per lb., or 25 per cent. Cotton yarn, of the lower and medium numbers, has advanced 1½*d.* to 2*d.* per lb., or 15 to 20 per cent.;—⅞ printing cloths, 6*d.* to 9*d.* per piece, or 15 per cent.;—32-inch maddapollams (6lb. double), about 1*s.* to 1*s.* 3*d.* per piece, or 20 per cent.;—36-inch shirtings, 1*s.* 3*d.* per piece, or 15 per cent.;—39-inch shirtings, for India and China, 1*s.* 3*d.* per piece, or 15 to 18 per cent.;—T-cloths, 6*d.* to 9*d.* per piece; and domestics, ¼*d.* to ⅜*d.* per yard, or 15 per cent.

"The trade generally have to congratulate themselves more on the immense extent of business than on the amount of profit which has been realised. One or two large and a number of small firms have succumbed to the pressure and competition of the times; but where establishments have been conducted on the best principles, with improved machinery, and a care taken to suit the production to the demand, enterprise and industry have not gone unrewarded. The Working Classes have been well and constantly employed, and there has never been any great accumulation of stock, as sales could be easily effected by making a slight concession on current prices. Though Money throughout a considerable portion of the year has ranged from 6 to 7 per cent. for the discount of commercial paper, it has had no sensible influence on the trade of the district, and accounts have been quite as regularly paid as in former years.

"The exorbitant price of Cotton holds out but little prospect

of satisfactory results for the ensuing year (1857), either to the manufacturer or merchant connected with this district. It is feared that neither the home nor foreign markets will readily respond to the advanced rates which have already become current, and that there will be a continued struggle and agitation between the manufacturing interest and the cotton holders and speculators."

Of the Silk Trade in London the following account is given by Messrs. Waithman and Co.

"The past year, 1856, in the Silk Trade, has been one of general prosperity, the principal feature being the very serious failure of the European crop, which, when its full extent became generally known, caused considerable alarm; but fortunately, the large increase of imports from China and India have, in a great measure, compensated for the European deficiency, and not only enabled us to supply the requirements of our own looms, at comparatively moderate prices, but given active employment to our mills, and caused both raw and thrown silk to form a large item in our exports. Besides the supplies received from this country, it is to be observed that France has also imported to some extent from China and India direct.

"Prices of all classes of silk have, during the year 1856, experienced a considerable rise; from January to September the market exhibited a continued upward tendency, the total advance on China silk being 6*s.* to 8*s.* per lb., while on the finest and best descriptions of Bengal silk an even greater advance was obtainable. About the middle of September, the market received a severe check by the cessation of the continental demand, accompanied by exaggerated reports of the probable supply from China, and prices in consequence receded some 2*s.* 6*d.* to 3*s.* per lb., which state of things lasted till November, when a renewed demand sprang up, and prices have since returned to within a fraction of the highest point.

"Italian silk has been almost a dead letter, its scarcity and high price precluding its use for any purpose where a substitute could be found."

The course of the Lyons Silk Market is thus described by M. Arles Dufour:—

"In the course of the present year (1856) the general Silk Trade has presented facts deserving serious attention.

"As soon as an important deficiency in the silk crop was ascertained, prices were pushed so rapidly, and so high, as to stop or paralyse business, and from August to November the number of looms habitually working for Lyons were reduced to one half. It was expected that this deficiency in the con-

sumption, combined with the news from China, announcing the enormous export of about 80,000 bales, would cause an important and rapid decline, particularly on Asiatic silk; however, prices receded but very slowly, and in the last fortnight, which was very brisk, they recovered nearly all that they had lost in the course of four dull months.

"The successive bad crops since 1850 having created a constant scarcity and dearness of European silk, our manufacturers were almost compelled to use largely Asiatic silk, and the results have proved so successful, that, in future, it will certainly form a permanent and important part of our stock."

Of the Wool Trade Messrs. Greame and Co. write:—

"The improvement manifest in the Wool Trade at the close of 1855, has continued with but slight intermission during the whole of the past year, 1856. We have had a steady and increasing trade, with manufacturers and operatives in general fully employed; and during the first nine months of the past year (1856), prices of all current qualities gradually advanced from 10 to 15 per cent. The most convincing proof, however, of the sound and healthy state of the Trade is, that, notwithstanding the stringency of the money market, so far from prices being adversely affected by it, a still further and more marked advance has taken place, particularly on all Wools adapted for Combing purposes, which may now (December, 1856) be quoted 25 to 30 per cent. higher than in December, 1855; and although these rates are considerably higher than the Trade has been accustomed to for several years past, yet, with the present relatively short supplies as compared with the Consumption, there is every appearance that they will be maintained for some time to come, if indeed no further advance takes place."

Messrs. Powell thus describe the recent rapid rise in the Price of Leather. It is said that some part of the rise of Price in Leather is attributable to a large demand in France, arising from an extensive abandonment of wooden shoes among the Peasantry.

"As soon as the rumour of Peace was heard in January, 1856, a check was given to prices. For some months the tendency was downward, and the impression that the diminished wants of the Government would cause a steady reduction in the value of Leather was so strong and universal, that buyers generally acted in the anticipation of a continued falling market.

"Such anticipations, however, proved most mistaken. From the month of June (1856) a steady improvement in the demand set in. Stocks have been gradually diminishing, and prices advancing at an accelerated pace from that time to the close of the year, so that many articles of leather are now (December, 1856) 4*d.* to 12*d.* per lb. above the quotations of June (1856); while in raw goods a nearly similar advance has taken place.

"One reason doubtless is, that the demand caused by the War, not in our own country only, but throughout the whole of Europe, swept off all accumulated stocks. The chief cause of this unprecedented advance will, we think, be found not so much in deficient production as in increased consumption. The returns of the Board of Trade show also an enormous increase of our exports generally, in which articles of leather manufacture have largely participated, the Exports of 1856 being 80 per cent. greater, both in weight and value, than those of 1855. As present prospects do not show any reaction in these causes, it is most likely, with some modifications of course, the present values will be maintained, and that with the great scarcity some may be enhanced."

The Report of the Flax and Linen Trade from Belfast and Dundee, in 1856, indicates great activity.

"Though the imports both of Hemp and Flax (particularly including all the substitutes of the latter) have been greater in 1856 than in other years, the price has not fallen so low since the Peace as was expected; and Linen Yarn, which was from 4*s.* 6*d.* to 5*s.* at the beginning of 1856, is from 4*s.* 6*d.* to 6*s.* 6*d.* in January, 1857; and that which was in 1856 4*s.* to to 4*s.* 7⅓*d.*, in January, 1857, is 4*s.* 4½*d.* to 4*s.* 10½*d.*; while Flax in the London market is scarcely 1*l.* a ton cheaper than at the beginning of 1856, when we were at War.

"The explanation of the high price, in spite of the large importation, is to be found in the increase of the manufacture. Thus in 1856 the exports of Linen Yarn from Belfast were 56 per cent., and of Linen 13 per cent., more than in 1855. Thus, in Dundee, there has been an increase of 690 horse-power in mills, of 2,075 in the number of power looms, of 9,700 in the number of spindles, and of 5,100 in the number of persons employed. Dundee and its neighbourhood is chiefly occupied with flax and hemp spinning. In Fife, the increase is said to be 1,019 horse-power, 2,685 power looms, 23,290 spindles, and 6,777 more hands employed. Throughout the neighbourhood there has been great activity in the year, and Wages are from 15 to 20 per cent. higher than at any period since 1850."

Oils, as a raw material, are of increasing importance, and the transition from War to Peace has powerfully affected the Trade in several descriptions, as appears by the following statement from the Circular of Messrs. Wilson, Rose, and Co.

"We question if any other descriptions of merchandise during the continuance of the late War were influenced to a greater extent than those to which we devote our attention.

"At the commencement of the year 1856, prices ruled at exorbitant rates; it was not to be wondered, therefore, that the abrupt, and to many unexpected, announcement of Peace in the middle of January, should have been followed by a sudden and great reaction, indeed temporary panic, involving holders of produce in ruinous losses. But such a state of things was not of long duration; our markets rapidly recovered their wonted elasticity, and a large and legitimate business at improving prices has since been transacted in the face of liberal supplies of many articles which War Prices naturally stimulated. The enhanced value of money, however, tended much to check speculative operations, but as the pressure is diminishing we look forward to a good steady spring trade.

"*Linseed Oil.* — The production during the last 12 months has been unprecedentedly large; we estimate the make in the United Kingdom at not far short of 45,000 tuns, notwithstanding which we begin the year with perhaps the smallest stock ever known. This is attributable to the immense quantities taken for exportation; from all ports we estimate it at 20,000 tons, of which Hull alone supplied 13,000. The price has varied much, the extremes being 44*l.* per tun in January, and 29*l.* in March; in June it advanced to 33*l.*, in August to 37*l.* 10*s.*, September 40*l.*; since then the tendency has been downwards, the value to-day being 37*l.* 10*s.*, at which there are buyers for monthly deliveries up to June.

"*Rape* and *Seed Oils* continue to occupy a prominent position in our markets, owing to the increasing quantities going into consumption for burning. Absence of supplies of Southern from our colonies, coupled with the high price of sperm, has much favoured this.

"*Olive Oils* attracted little or no attention during the greater portion of last year, although unusually low rates were accepted during the summer months; in May and June, 42*l.* to 43*l.* per tun for Mogador, and 47*l.* to 48*l.* for Gallipoli. Since then prices have been gradually advancing, although transactions have been very limited until within the last two months, when more disposition was evinced to purchase. We now quote Gallipoli 57*l.* 10*s.* to 58*l.* per tun, and Mogador 54*l.*

The importation into the kingdom will be about 23,500 tuns against 25,459 in 1855.

"*Cocoanut Oil.* — The apprehended deficiency in our imports during 1856 is fully confirmed, and it is now found we have only received 6,000 tuns, against 12,300 in 1855. The quantity taken for home consumption was about the same as the previous year, being 3,946 tuns against 3,747; but the export demand was short, say 4,400 against 7,260; for the latter the enhanced value may account. Cochin, which could have been purchased at 37*l.* per tun in February, was worth 40*l.* in April, 46*l.* in July, 48*l.* in September, and the value to-day is 51*l.* Ceylon we quote 49*l.*

"*Palm Oil.* — The importation last year into our port, especially in the early part of it, was far short of the requirements of consumers, and it ruled at rates out of proportion to the value of tallow and other articles having affinity. The lowest point reached was 38*l.* in June, the advance since has been gradual, and 46*l.* per ton is to-day the value of fine Lagos. Our stock in London is 900 tons, and the importation into the kingdom about 35,000 tons against 40,519 in 1855.

"*Tallow.* — Strange as it may appear, our importation into London last year was less than the previous one, rather a singular circumstance when it is borne in mind that during the whole of 1855 all the Russian ports were in a state of blockade; the lowest point touched last year was 46*s.* in May and June, the tendency has since been gradually upward; present prices are 58*s.* per cwt. on the spot, 57*s.* 9*d.* to 58*s.* January to March, 54*s.* to 54*s.* 3*d.* April to June, and 52*s.* 6*d.* to 52*s.* 9*d.* October to December.

"*Fish Oils.* — The consumption of sperm was much checked during last year by the continuance of high prices, chiefly through speculative operations on the part of houses in the United States who were likewise interested in our stocks here. In January, 127*l.* per tun was realised, since which stocks have been accumulating and prices declining; the value to-day is 90*l.*, with every appearance of prices having seen their lowest. In common oils transactions have been unimportant; pale Southern may be quoted 49*l.*, pale seal 50*l.* 10*s.*, and cod, 49*l.* 10*s.*"

Of the two great articles of Iron and Timber, the account is as under. The first circular relates to the Scotch Iron Trade.

"This important department of trade has maintained a high state of prosperity throughout the year 1856.

"The range of quotations for pig iron (66*s.* to 81*s.*) has not been so great as during many former years, the market having

for the past twelvemonths been more under the influence of *bonâ fide* demand than speculative excitement. The average price for the year is 72*s.* 6*d.* cash for mixed numbers. In January ('56) the market opened with much firmness at 75*s.*, and by the 15th of the month 78*s.* 6*d.* had been paid; subsequently the tone became weaker, and, owing to light exports and anxiety as to our peaceful relations with America being continued, sales were pressed, and the price declined to 66*s.* by the middle of February. From this there was but a partial recovery until the beginning of April, when the announcement of peace with Russia, followed by an improved demand from America and the Continent, gave more buoyancy, and the trade began to purchase freely.

"About this period, also, a serious reduction in the make took place in consequence of the turn-out of the Colliers, which, inducing speculators to operate, the price gradually hardened till it reached 81*s.* early in June. Upon the complete defeat of the workmen by their masters the price soon gave way, under forced sales, to 73*s.*

"The course of the market now became characterised by great steadiness, partly owing to the relaxation in the rate of discount, but chiefly on account of the heavy shipments ex store, makers being very low in stock, until October, when financial stringency caused prices temporarily to droop to 67*s.*, recovering, however, to 73*s.* towards the end of November, since when there has scarcely been any change worthy of notice.

"Shipments are rather less than last year, but the increased local consumption, both for forge and foundry purposes, has reduced our stock to not exceeding 90,000 tons, of which 25,500 tons are in store, the balance in makers' hands. At present we have 123 furnaces in blast, and several new ones ready to blow in; any large increase in production, however, is not expected. The position of the trade is generally regarded as encouraging."

The following outline of the Timber Trade is by Messrs. Churchill, of London.

"The trade in Wood during 1856 will be found equal to the average of the years in which the increasing demand of the United Kingdom had been amply supplied from British America and the north of Europe, until restricted by the war with Russia. The official returns of the Board of Trade verify this, showing a mean increase of one-fourth, or 25 per cent., on the reduced trade of 1855, as well as restoring the equilibrium of the three preceding years.

"Our London importation appears to have been —

	1852.	1853.	1854.	1855.	1856.
	Tons.	Tons.	Tons.	Tons.	Tons.
From Norway and Sweden	161,000	227,000	180,000	219,000	175,000
„ Russia and Finland	60,000	82,000	9,000	300	64,000
„ Germany - -	71,000	153,000	82,000	92,000	77,000
Foreign - -	292,000	462,000	271,000	311,000	316,000
British America - -	131,000	104,000	221,000	77,000	115,000
Africa, United States, East and West Indies -	15,000	11,000	24,000	20,000	17,000
Total - -	438,000	577,000	516,000	408,000	448,000

On the whole, an increase of 10 per cent. compared with the imports of 1855, but 8 per cent. less than the average of the three preceding years, so that the London importation has not been resumed in its full proportion with that of the United Kingdom. But if in the metropolis we have imported less than our usual fourth part of the aggregate it should rather create satisfaction than regret; for while our consuming power is shown in the subjoined estimate to be vigorous and nearly equable, scarcely affected by the War, or during periods of greater or less supply, we remain unburdened with heavy stocks of Wood, and consequently neither exalted by high nor depressed by low prices.

Consumption in London.	Sawn Wood, or Deals, Battens, Boards and Ends.	Hewn Wood or Timber square and round.
	Pieces.	Loads.
1852 - -	6,132,000 - -	- 170,000
1853 - -	6,896,000 - -	- 209,000
1854 - -	6,222,000 - -	- 198,000
1855 - -	6,705,000 - -	- 181,400
1856 - -	6,731,000 - -	- 179,000

"It is not at any time easy to trace the channels of trade through which this large amount is consumed, and we are debarred from referring it to building speculation, great public works, or schemes of convenience and improvement in a year like the past, when many such undertakings were suspended in consequence of the high value of money. Yet the fact of the continued large consumption of Wood is before us. If enterprise, if speculation has been inactive, and if in the building and equipment of ships and in military preparations we have not obtained the same equivalent for the works of peace as in 1855, where can we look for a solution of the fact but to

the indispensable use of wood in every branch of our domestic economy, in all directions and in every form increasing with our own growth of numbers, wants, and necessities, and requiring yearly renewal to keep pace with the progressive commerce of the country ?"

IV.

We have now only to inquire as to the progress, during 1856, of the Market for Freight and of the State of the Shipping.

We have seen in former sections of this volume (v. 268.), that the first pressing demand for Tonnage was felt in the spring of 1852, in consequence of the immense Emigration to Australia. In 1854–55, the War absorbed almost all spare ships. There was therefore, for say four years, 1852, '53, '54, and '55, a powerful impetus imparted to Shipbuilding.

In 1856, it appears from the following statement by Messrs. Laming and Co., that the demand has already produced a supply somewhat beyond immediate requirements.

"In January (1856) we observed that the great impetus which had been given to Shipbuilding by the extraordinary demands of our Australian colonies in 1853 would prove an effective barrier to any great and general improvement in the Freight-Market, and it must still be admitted that we are labouring under the disadvantage of an excessive amount of tonnage. In face of a surplus tonnage, however, we gave hope of an improvement in homeward freights, by reason of an increase of imports likely to result from the then existing insufficiency of the home and French harvest, the particular state of the Timber trade, and that of our Colonial markets generally; and it is now satisfactory to be able to refer in confirmation of our views to the increased imports of grain in the early part of 1856 from the United States, to the greatly increased importation during the same period of East India produce, and the large additional importation during the year of Timber.

"The abrupt termination of the War in March threw us into a reactionary condition, causing a diminished demand for

tonnage, at the same time that it supplied tonnage in increased quantity; since, on the one hand, it put an end to the new demand from India of produce which in time of peace was drawn from Russia, while, on the other, it threw out of employ a vast multitude of ships which had been used directly and indirectly for the purposes of the War.

"In estimating the prospects for the year 1857, we cannot hide from ourselves that we have far too much tonnage afloat for the purposes of our legitimate trade. Apart from that consideration, however, we are not without encouragement in hoping for an improvement. One favourable symptom is a growing conviction on the part of shipowners that large colonial-built ships are less profitable than those of more moderate tonnage, and that fact, coupled with the existence of an indisputable general excess, justifies a belief that for the year a smaller aggregate tonnage will be launched."

These statements are confirmed more in detail, as follows, by Messrs. Offer and Gamman.

"The Peace did not throw any large amount of tonnage into the freight market at one time; and as the Australian trade was brisk at the beginning of the year, the transports readily found employment without any reduction of freights. The reopening of the Russian trade created an immediate and large demand for tonnage, and here many of the steam transports, as well as the sailing vessels engaged in coaling the fleet, found ready employment; the home coal trade and short continental services also absorbed a further portion of the steamers released from government employ.

"Throughout the year, the active competition of American tonnage has been felt in almost every trade, tens of thousands of tons of American shipping having entered into our East Indian, Australian, and Mediterranean trades, and especially in the guano trade from the Chincas. During the month of December upwards of 90,000 tons of shipping were chartered for this service, of which at least 25,000 tons were American owned. This competition, one of the results of our free trade policy, while promoting the general commercial prosperity of the world, undoubtedly exercises a depressing influence upon our freight market.

"In the East India trade there has been but little variation in rates of freight throughout the year, and chartering business has been generally limited in extent. This has resulted, in some measure, from the disarrangement of prices occasioned by the War, which for a time restricted operations.

"In the Australian trade freights fluctuated considerably during 1856, the irregular nature of exports having at one time created a most active demand for tonnage, and at another a

perfect dearth of shipments. The Emigration Commissioners chartered a fair average number of vessels at rates varying from 12*l.* 10*s.* to 16*l.* 10*s.* per statute adult for Adelaide, Port Phillip, and Sydney, the highest rates being paid in January and the lowest in July.

"*In the middle of the year freights to Australia ruled lower than at any period since the discovery of the gold fields; indeed, many ships were unable to complete their cargoes, while shipments by the finest vessels on the berth were made at and even under* 30*s. per ton.* Towards the close of the year this trade regained its tone, and freights became again firm. An important feature in the Australian trade was the establishment of a new steam company under a mail contract, in addition to other lines of auxiliary screw steamers, both from London and Liverpool.

"The Mediterranean trade has been excessively dull throughout the year, and homeward freights especially have exhibited an unprecedented depression. The large fleet of coal ships in the Bosphorus at the close of the war furnished a superabundance of tonnage for the re-opening of the trade in the Black Sea, Azoff, and Danube; and the glut of shipping at Alexandria and other Mediterranean ports has continued all the year to keep freights down.

"Upon a general review of the freight market for the past year we arrive at the conclusion that our shipping has not found such profitable employment in the first year of peace as during the continuation of the war. The transport service, and other demands of war, created a temporary advance in freights; but the disarrangement of commerce consequent upon the strife, which cannot be remedied until long after the re-establishment of peace, occasions a reaction in the demand for tonnage, which, of course, operates prejudicially on the freight market."

We learn from this last extract, that, during part of 1856, the rate of freight to Australia has been lower than at any period since 1851.

V.

It is impossible, after the perusal of the foregoing extracts, not to be struck by the general character of care and clearness of expression, and apparent impartiality, which characterise these reviews of the fluctuations and the causes of them in the

markets for produce, during the past twelve months of 1856.

According to established practice, the writers consider themselves called upon to say something of what they call the value of money, meaning by that expression the rate of interest. In the articles of Tea, Oils, and Iron, the references to the value of money seem to be in a great measure gratuitous and imaginary, more especially as the variations in the rate of interest to which some of the Circulars refer, were in point of fact but of small amount.

In the Timber Trade it is probable that some influence on prices may be ascribed to the rate of interest; but only in an indirect manner, arising from the connection which exists between the extent of speculative Building enterprises, and the state of the Money market; while in the Cotton market, and in the Manchester markets for Cotton manufactures, any conceivable influence on prices by the money market is distinctly stated by the Circulars to be negatived by the facts of the case. And the same remark applies to the Wool trade.

But while the rate of interest is only very slightly alluded to as an operative cause in some of the Circulars, and not at all in others, there is not in any one of them the slightest reference to the question, whether the high range of prices which we have experienced since the termination of the War (when a great reduction was confidently looked for), may not have proceeded from the diminished value of Gold as a consequence of the vast increase of the production of it within the last eight years. From their silence on this point, an inference may fairly be drawn that the writers are satisfied with the causes operating intrinsically, on mercantile grounds, in each case, as being sufficient specifically to account for the actual state of markets, without calling in the aid of an extraneous cause, or, in other words, without inferring a depreciation in the

value of Gold. And I am inclined to think that, viewing the present state of prices, there is no adequate reason for ascribing the high rates to an extraneous cause. At the same time, there is this difficulty attending the question—and a difficulty which ought not to be lost sight of—namely, that a difference of 5 per cent., or even of as much as 10 per cent., from the operation of a general cause, would, in many, or in the great majority of articles, not be distinguishable in the midst of those larger disturbing influences which produce ranges of variation of from 50 to 100 per cent. in the case of a large proportion, or indeed of nearly all, articles of raw produce.

On the whole, as relates to the question of the influence of the New Gold, I have to repeat, with reference to the articles which are the subject of the Circulars here quoted, the conjecture which I ventured to offer at pp. 199, 200., *antè*, as to future prices of Corn, — namely, that while no immediate influence of the gold discoveries can be traced in the present range of prices, the eventual subsidence of them when these disturbing causes have ceased, is likely to be at a higher level than could otherwise be maintained.*

* In a preceding page (v. 468.), I have given a general outline of the Tariff of the United States; and to that account, the following extract from the "Daily News," of passages in the letter of their intelligent correspondent at New York, writing under the date of 20th Dec. 1856, will be an appropriate appendage. It would seem that, in all probability, the United States will not much longer remain as an exception to the policy of Free Trade; and a liberal Tariff at New York would at this time be an event of the highest moment.

"*Dec.* 20. 1856.—We have still a hope that even this present Congress may *give us a better Tariff*. It was not considered safe by the free traders to press the consideration of the subject at the opening of Congress, and by unanimous consent the New Tariff Bill was laid over till the first Tuesday in January. A very deep interest is felt in the fate of this bill by large classes of the American people, and the chances in favour of its passage have raised this interest still higher. Some facts have

VI.

In reviewing the statements which have been presented, the general Conclusions appear to be as follows: —

recently come out which afford unanswerable arguments in favour of free trade.

"The Tariff of 1846 fixed a duty of 30 per cent. on Wool for the purpose of protection; but it is now evident to everybody — especially to wool growers and wool manufacturers — that this heavy duty has worked nothing but mischief and disaster to those interests they wished to promote. Twenty years ago the United States raised annually 42 million pounds of Wool, and the increase in 13 years (1850) only raised the amount to 52 million pounds. In five years (1855) the yield fell off 5 millions, in spite of the enormous protection. On examination we find the results of this Tariff still more fatal to the Manufacturers. In 1837, when our woollen manufacture was in its infancy, 344 sets of cards were at work on broadcloth alone, consuming eight and one-quarter million pounds, or one-fifth of the whole yield, and yet to-day there are not 40 sets of cards at work on broadcloths in the United States — in fact, this branch of industry is nearly blotted out. Now, all this can be traced to but one cause — the blighting influence of the Tariff of 1846. It is well known that the United States consume more Woollen Goods than either England, Germany, or France; and it appears that, with all the boasted benign influence of a protection of 30 per cent. on wool and 30 per cent. on woollen goods, we are entirely dependent on Europe for the vast proportion of broadcloths which we consume. Look at the import figures. Only ten years ago we imported 10,000,000 dollars of woollen goods. Everybody was alarmed, and prophesied ruin unless this terrible drain could be stopped. Hence a remedy was found in the restrictions of the Tariff of 1856. But we find that under a ten years' trial of this panacea of quack economists, our imports of woollen goods from England, France, and Germany rise from 10 to 30 million dollars per annum. It is, therefore, found necessary to try something else, and there is nothing else to do but to take off the duty from wool altogether. This will revive our now nearly extinct woollen manufactures, and at once raise the price of Raw Wool. It had had this effect in England, where, on the removal of the duty, wool rose in 12 years from 11*d.* to 1*s.* 6*d.*

"But the New Tariff proposes as thorough a reform in other departments — the chief object being the enlargement of the free list; all the leading raw materials demanded by manufacturers are to be admitted free."

In Colonial and Tropical Produce—Sugar, Cocoa, Coffee—and in all the articles which had been raised in market value by the War, namely, Rice, Rum, Linseed, Tallow, Oils, Hemp, &c.—there was a fall in price in the early part of 1856, extending in many cases to 30 and 40 per cent., and arising principally out of the effect produced on opinion by the sudden cessation of the War; that after a short time the fall of price was recovered; and that at the close of the year prices are firm and rising, chiefly in consequence of an extending demand.

In Tea, the prices of 1856 have been depressed by large supplies; and the speculative state of the market, at the opening of 1857, is occasioned wholly by the sudden War with China.

In Tobacco, and in Wine and Brandy, there have been serious failures of the usual crops.

In Raw Cotton the Peace produced an immediate rise of price; and the high rates of December, 1856, are closely connected with apprehensions of short supply in 1857, in consequence of deficient crops in America.

The high price of Silk in 1856 is clearly traceable to the failure of the Italian Crop.

In Wool, the increase of about 25 per cent. in December, 1856, over December, 1855, seems to be ascribed wholly to increased demand.

In Leather, the rapid rise of price, at the close of 1856, is attributable to the undue reduction of stocks by the War demand, and to the undue depression of prices immediately after the Peace.

In Flax and Hemp, the increased price is ascribed to larger consumption.

In Oils, there have been great fluctuations of supply.

In Iron, the trade of the year has been affected by extensive strikes of workmen.

In Timber, the prices have been kept down by large supplies.

And in Freights the numerous fleet of vessels built under the stimulus of the high rates paid in the four years 1852–55, has produced a complete reaction in favour of the merchant, and against the shipowner.

And, generally, it is abundantly clear, that the effect of the War in 1854 and 1855, and of the sudden Peace in January, 1856, has been to disturb and disorganise in a very important degree nearly all the leading Trades of this Country; and also of those countries from which we draw the largest portion of our Imports.

END OF THE FIFTH VOLUME.

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